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The Outlook for Farm Income — *Watson Porter* — 167

The Meaning of Social Security — *H. Scott Gordon* — 171

Thinking With Others — *J. W. Tomecko* — 185

Trends in Canadian Economy — *W. E. White* — 189

The Production Foreman: Management's Front Line — *J. M. White* — 200

Book Publishing in Canada — *J. G. McClelland* — 205

Book Reviews — 222

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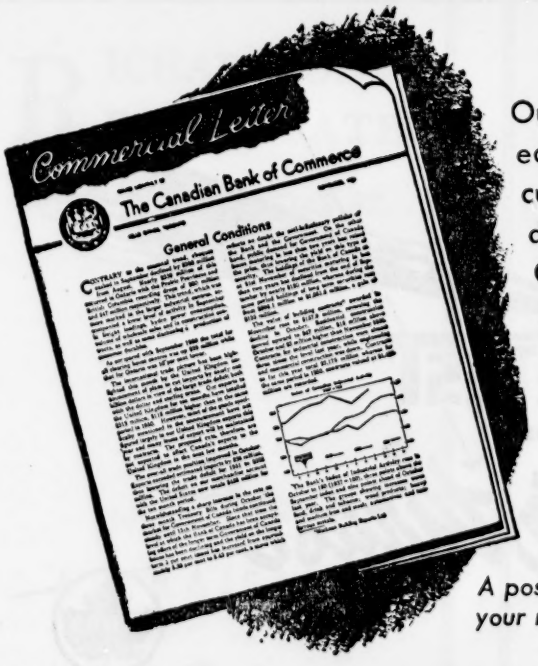

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About Our Authors . . .

Watson Porter, long-time Editor of *The Farmer's Advocate and Home Magazine,* now *Farmer's Advocate and Canadian Countryman* (published in London, Ontario), has written our lead article for this issue. Mr. Porter has completed editorial assignments on this continent, as well as in the United Kingdom and Northwest Europe. In 1936-37, he organized the Ontario Conservation Association, the forerunner of the conservation movement which today includes fifteen conservation authorities, and was Secretary-Treasurer of the Thames Valley Conservation Authority for the first eighteen months of its existence. In 1952, he was made a fellow of the Agricultural Institute of Canada "for distinguished service to Canadian Agriculture".

H. Scott Gordon, a previous contributor to *The Quarterly,* is a graduate of Dalhousie and Columbia Universities and at present Assistant Professor of Economics at Carleton College. In this issue he discusses social security measures and the factors which classify the needs they meet and which suggest methods by which they may be administered.

James M. White, author of "Control Over Reports", which appeared in our Winter 1953 Issue, examines the position of the foreman in today's industrial organization. Mr. White studied engineering at Johns Hopkins University, received his M.B.A. from New York University, and is also a Certified Public Accountant. He is

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About Our Authors . . .

now a member of the faculty of the Mechanical Engineering Department of McGill University.

What is the present position and future outlook of the Canadian book publishing industry? This question is capably answered by **John G. McClelland,** Executive Vice President and General Manager of McClelland and Stewart Limited. Mr. McClelland graduated from the University of Toronto and played the role of a naval officer during World War II.

W. E. White, who wrote "Trends in the Canadian Economy", studied at the University of Toronto and the University of London, majoring in logic and scientific method in both the physical and social sciences. He is at present Director of Instruments and Electronics, Canadian Arsenals, Limited, Ottawa.

A member of the 1952 Management Training Course at the University of Western Ontario, **J. W. Tomecko** became interested in the executive group discussion method upon which he elaborates in his article, "Thinking With Others". Dr. Tomecko received his B.A. and M.A. in Chemistry at University of Saskatchewan. After lecturing for seven years at Campion College and Loyola College and receiving his Ph.D. from McGill University, he joined Canadian Industries Limited. He is also a Director of The Federation of Paint and Varnish Production Clubs and an active member of the Chemical Institute of Canada.

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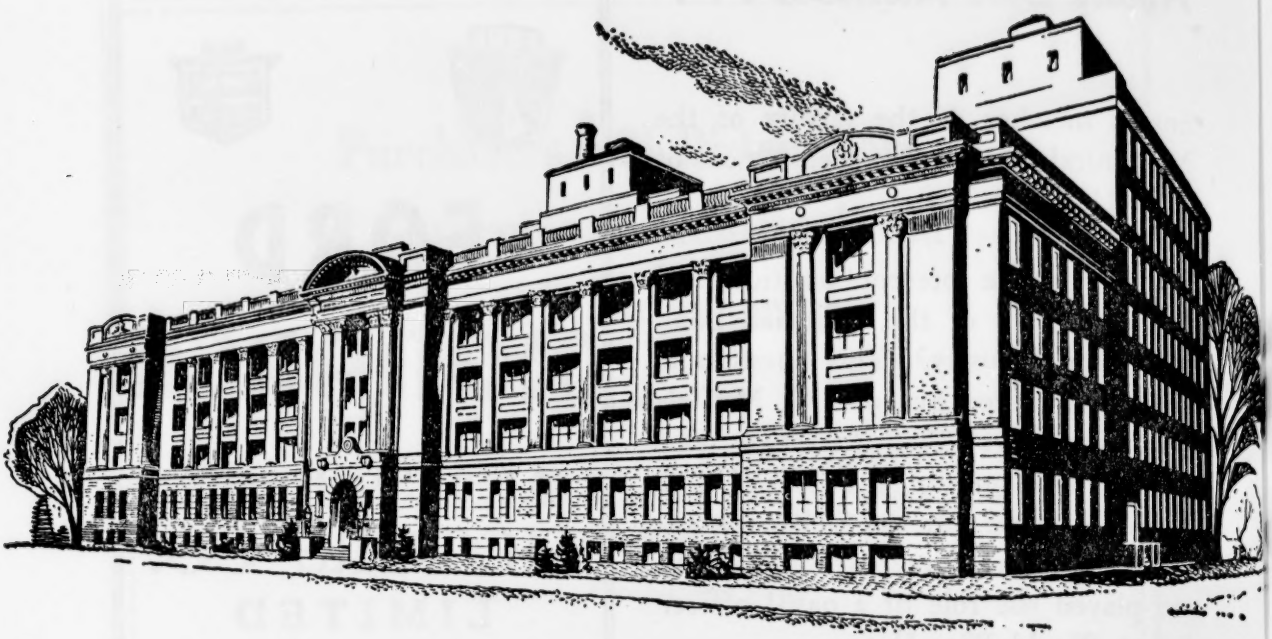

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The Outlook for Farm Income

Watson Porter

*The beginning of a new year seems an appropriate time to review the present conditions in and the future outlook for Canadian agriculture. To this end, we asked Mr. Watson Porter, Editor-in-Chief of Farmer's Advocate and Canadian Countryman, to answer specific questions in which Quarterly readers might find interest: What is the general outlook for farm income? What is the general effect of a drop in farm income? What might be its effect on any specific businesses? Does it necessarily mean a drop in farmers' current spending? What do they do with their money? What is the condition of their equipment? What can be done to help the farm situation? . . . These are his answers.**

IT has been estimated by competent authorities that farm income will be down about twelve percent in 1953 and, if nothing unusual happens, will remain at or around the same level in 1954. If there is any deviation from that level it will be down, not up. It will be appreciated, of course, that a prediction covering twelve months in advance is just a big guess. In addition to all the political and economic hazards of these times, there is the constant uncertainty of weather to which agriculture is exposed. Through irrigation, drainage, and changing harvesting methods, farmers are eliminating to a slight degree—very slight in fact—the gamble of crop production; but in spite of all the applications of science and the expanding use of the best known techniques, the yields of 1954 remain a big question mark. It *could* be the biggest crop in the history of Canadian agriculture, or the poorest in the last fifteen years.

The Relation Between Gross and Net Income

Even if net income is down twelve percent for 1953 the intake remains a sizable amount, estimated to be $1,720,000,000. The gross or cash returns are larger, of course, and that figure, necessarily an estimate, is $2,660,000,000. This huge creation of new wealth is a gross figure from which operation and production costs must be deducted just as the manufacturer is obliged to subtract the labour item, plant maintenance, insurance, depreciation, and various other costs which must come out of the selling price of his goods. Likewise, the farmer's gross income shrinks very appreciably when he pays for what he needs to keep *his* business going, and being aware of this, the Bureau of Statistics, through a series of statistical gymnastics, estimates what it calls net income.

*Mr. Porter's article was submitted in December, 1953.

For oratorical purposes the gross figure is best; but it is actually the net income figure that more accurately represents farmers' buying power and that is the figure I prefer to use here, namely, $1,720,000,000 for 1953.

The Varied Incidence of the Shrinkage

Had there not been a shrinkage of twelve percent, as compared with 1952, the net income for 1953 would have been $1,950,000,000; so it seems that $230,000,000 has been wrung out of the 1953 intake of Canadian farmers.

It will be manifest that all farmers have not suffered a statistical loss of twelve percent and that some are very much worse off than the figure denotes. Potato growers in the Maritime Provinces who are receiving less than one-half cent per pound for the 1953 crop are hit much harder than the average; while dairymen selling their product in the fluid milk market would fare just about as well as in 1952, provided they were operating in areas with normal or better rainfall and exercised good pasture management. The Western grain grower may be considerably below the twelve percent decline average if he had no other source of income than that permitted by the five bushel quota. The grain grower feels that he has the income in his granaries, but at present it is not negotiable, and the prairie merchants are consequently quite anxious. It is they who are doing the worrying.

Naturally, the merchants in Western Canada would like very much to see more money in circulation, but actually there is more apprehension in Eastern Canada over large stocks of grain than there is in the West. The prairie grower fears drought, frost, grasshoppers, and rust but he does not fear plenty. It is unthinkable to him that good hard spring wheat, a staple and essential food commodity, stored in his barn or granary, or even temporarily on the ground, could bring about an economic calamity. Consequently, the Western farmer is short of cash but strong in morale.

Consequent Deferred Spending and Its Effects

It is impractical to assume that since farm income is down twelve percent farm buying would be less by a like amount. Such calculations do not take into consideration the psychological effect of fluctuating income. When the farmer's cash returns begin to shrink while costs are going in the other direction, he calls a halt to spending and begins to take stock of the situation. He postpones the purchase of new equipment, makes the old car do another year, and limits home expenditures to genuine essentials. His deferred spending may add up to far more than the actual decrease in his receipts, and so on a national basis the psychological reaction of farm people to these readjustments in the price structure may exceed to a considerable extent the amount of the decrease in farm income.

Just as agriculture is first to feel the squeeze in any deflationary readjustment in the economy, so the farm implement manufacturing business is usually the first to suffer as a result of the farmer's misfortune. When farmers are not doing well, the implement manufacturer is the first to know it. That branch of industry has been quiet during the latter part of 1953, and when new orders, in volume, will commence to come in I am not bold enough to predict. Meanwhile the equipment manufacturers will do a substantial business in parts that will keep all kinds of farm machines operating and in reasonably good repair.

Interim Maintenance of Land and Capital Assets

By and large, the machinery now on Canadian farms is not in a bad state of repair. Actually the farmer could endure a state of seige for some time and continue to produce abundantly, if weather and growing conditions were favourable. Nevertheless, there is always a big need for the new labour-saving equipment and for gadgets that will take the place of farm help, now dwindling in numbers and deteriorating in quality. Farming now demands skill, experience, and a fairly high intelligence rating. The left-overs from the labour market are not much use on the farm to care for valuable livestock and operate expensive equipment. The immigrants who profess to have the know-how still require a good deal of training, and by the time they are beginning to prove helpful they have gone to more highly paid employment in the city. So it is that the farmer's need of machines, gadgets, and power to take the place of farm help is constantly increasing. Old machines are wearing out every year and implements to take the hard work and long hours out of farming are badly needed. However, to the farmer, the prospective purchaser, the situation is cloudy. Softening prices for his product on the one hand and higher costs on the other create a jumble of figures, so to speak, that do not add up. Is it any wonder, therefore, that he waits for the situation to develop further?

While the farmer is waiting for the sun to break through, he is not enthusiastic about soil-building or plant maintenance. His purchases of commercial fertilizer are likely to slow down, and repairs to buildings that require all kinds of builder's supplies will be deferred.

Subsequent Readjustment to a Cautious Outlook

Nevertheless, farmers do not defer spending for too long a period. The first reaction is to halt and take stock. Outstanding obligations are reassessed and reduced, and then a normal rate of spending is resumed.

Apart from the Maritimes, where the rural economy has been tightening up for two or three years, and Western Canada, where income this year has been somewhat reduced because of the slowed-down outward movement of grain, farm people are not too apprehensive. I think it is correct to say that the spirit is one of caution, not gloom. At

least, that was the consensus at the Federal-Provincial Agricultural Conference held in Ottawa on November 23 and 24. The Rt.-Honourable J. G. Gardiner, Minister of Agriculture, pointed out that on the basis of estimated income for 1953, agriculture was still five points better off than in 1949, admittedly a good year, but considerably below the high record of 1951, which was rated the best year in history, from the viewpoint of returns to the people on the land.

So far as the prairies are concerned, it is not irrelevant to mention that the grain growers have been blessed with three consecutive big crops—a crop and a half each year—and the slow-down in grain movement in the latter half of 1953 was due in some measure to the heavy purchases made by buying countries under the terms of the first International Wheat Agreement which favoured the buyer. With what the grain grower has received in recent years and is still due to receive, he is not too badly off.

A Possible Return to Parity

At any rate, the farmer does not hoard money; he spends it! As soon as he can make things add up he will return to his usual buying habits. That return could be hastened by a readjustment in the price structure that restored some measure of parity. The farmer is restrained from buying because of mounting costs while his income is shrinking. Who would act otherwise?

At the Federal-Provincial Agricultural Conference, already mentioned, Dr. H. H. Hannam, President of the Canadian Federation of Agriculture, argued that farmers' purchasing power had *dropped* sixteen percent since 1949, while the purchasing power of wage-earners had *increased* sixteen percent in the same time. Farmers feel that in these postwar years there has been a saturnalia of price-upping in which they have not shared because costs have always been more bloated than income. The industrial and financial segments of the economy, countenanced and abetted by government, have not exerted sufficient resistance to increased costs. A sellers' market has made it possible and too easy to accept the demands that made price-upping inevitable. Costs could go into the selling price anyway, and with proper bookkeeping, profits remained the same.

Right or wrong, that is how farmers feel about it, and now with a buyers' market, as the Rt-Honourable C. D. Howe predicted in the House of Commons on November 30, 1953, the wholesome influence of consumer resistance may do something to restore a more equitable balance and thus permit rural folk to re-enter the market place on what more nearly approaches a parity basis.

The Meaning of Social Security

H. Scott Gordon

In this paper Mr. Gordon analyses "a development which merits the most thorough study by all conscientious citizens". We feel that his comments concerning responsibility for social security, its purpose, and a classification of the bases upon which it may be organized and administered should stimulate interest, consideration, and debate on the part of Quarterly readers.

THE three decades which have elapsed since the end of the First World War have seen many social changes and developments, but probably none is destined to be of greater historical importance than the growth of governmental activities. Not only have these activities increased in magnitude, but their nature has undergone a considerable shift of emphasis. Both of these developments are due, to a considerable degree, to the growing role that the state is called upon to play in the provision of social security services.

The Four Primary Functions of the State

Traditionally, the state has always had four internal functions to perform. The first of these, and the source from which the national state itself came originally into being, is the establishment of police power and the provision of justice. This still remains one of the primary functions of government and, in the minds of some, the state as provider of policemen, courts, and judges for private and autonomous citizens is still the ideal of what government ought to be.

The second role of the state is as a provider of community services which cannot be effectively rendered by private competitive enterprise. The postal service is the classic example. The growth of the state in this general sphere has been very rapid in recent years and it is destined to continue, for it is an almost inevitable consequence of the phenomena of largeness and complexity which characterize modern industrial and economic life and make private monopoly the only real alternative to government enterprise.

Thirdly, the modern state functions as a director and regulator of economic activity in specific areas of the economy and in the economy in general. To some, this function is the hallmark of a socialist state but, in point of fact, governments of even very conservative principles

have for many years engaged in monetary management and financial regulation, designed to affect the magnitude and direction of general economic activity. Economic problems of a fundamentally *organizational* nature — depressions and inflations — have brought home the necessity of state responsibility for maintaining high levels of production and employment and the stabilization of monetary processes. Virtually all modern governments have accepted responsibility for economic stabilization[1] and practically all have also accepted the fact that, in the modern world, the state must play an important part in determining the direction of economic development[2].

Finally, the state is generally recognized as being responsible for the welfare of unfortunate individuals. Although the rapid growth of this type of governmental activity has been given vigorous consideration by both proponents and opponents in recent years, it is in fact not a new practice in the same sense as the third area of state function mentioned above. From the very beginning of human civilization, society has looked after its needy: its old, its destitute, its maimed and disabled. In earlier societies, such individuals were aided by their families and by their communities, voluntarily aided out of the compassion that one man feels for another of close relationship or association. The effectiveness of this method was vitally damaged by those various industrial and economic developments which loosened family ties and diminished the close sense of community found in pastoral and agricultural civilizations. When, in 1601, the first English Poor Law was enacted, making it *compulsory* for local communities to make provision for their poor, it was not so much a reflection of an advancing social conscience, as a recognition of the fact that the older, informal methods of providing for the needy had been destroyed by the growth of urbanization and by the impersonality of human associations which urban living entails. The rise of the fourth function of government is not so much the emergence of a new social activity as it is a recognition of the fact that in modern society government must act as a substitute for those private social institutions and practices that once provided the individual with informal but reliable security against personal misfortune.

Clarification and Distinction of Function

My purpose in demarcating four primary functions of government in the preceding paragraphs is to make a point which I believe to be of paramount importance in evaluating any one of the functions individually. *These functions are fundamentally different and distinct.* The adequate per-

[1]See, for example, the Canadian Government's White Paper on *Employment and Income*, presented to the House of Commons by the Rt. Hon. C. D. Howe, April, 1945.

[2]The promotion of the St. Lawrence Seaway is the most important case in recent Canadian history but it is in line with a long established practice in this country of state sponsorship of transportation development.

formance of any specific governmental policy requires that it be clearly defined as lying within the boundaries of *one* of these four areas. Policies are seldom capable of serving more than one of these four functions, and, in the rare cases where that is possible, it is essential that the *primary* purpose of the policy should be made clear and unambiguous. Perhaps some illustrations would indicate the reasons for stating this principle so strongly.

In the administration of justice, which is a primary responsibility of the state, impartiality and objectivity are of the essence. Recognizing this, we place our courts and our judiciary beyond the influence or interference of any other branch of government or of any particular group in the community. Suppose, however, that an agency of government performing another primary function takes upon itself the duty of levying punishment for misconduct. Suppose, for example, that the Post Office, whose purpose it is to provide and purvey a service, refuses mailing privileges to a citizen who, in its opinion, has used the mails for fraudulent purposes or for distributing obscene or seditious literature. If this is done, that citizen is punished without being charged and tried by process of law. Fraud and obscenity and sedition are all indictable offences and should be treated as such. If the Post Office were to deny mailing privileges as an administrative decision, it would be stepping outside its proper function. It would, of course, tend to act thus in those cases where evidence was insufficient to justify a formal indictment. The result is obvious. It is therefore necessary that an organization whose purpose is to provide services should have nothing to do with actions which lie in the field of policing and justice.

The Department of Public Works is also set up as a service agency. Its construction of harbours, wharves, and the like, is a necessary service that cannot be left to private competitive enterprise. In addition, public works are sometimes instituted, not because the particular project is necessary or desirable, but in order to provide work opportunities and incomes for needy people in the area. Thus public works activities slip over into the field of social security. We have many illustrations of such public works in Canada, and they are very depressing. In many cases, they have actually been detrimental to the industries they purported to serve.

The provision of family allowances is a governmental activity of a social nature. The point has frequently been made that such allowances may also serve as a device of general economic policy for the maintenance of high levels of employment and income. This was one of the major reasons advanced for the provision in the personal income tax to alter the exemption for allowance-qualified children in such a way that

the out-payment is returned to the Federal Treasury in the case of higher income groups. By this method, income is shifted from high to low income groups, and it was expected that this would reduce total private savings in the economy, thereby counteracting deflationary tendencies. The policy failed to consider the fact that, once instituted, family allowances cannot easily be withdrawn, or drastically reduced. Economic policies of a control nature should not be so rigid. To be efficient, they must be sufficiently flexible to meet the rapidly changing and generally unpredictable movements of economic activity. If family allowances are indeed counter-deflationary as has been argued,[3] then they have, during the course of the past few years, *added* to the *inflationary* pressure which the Canadian economy has experienced. If a major reason for instituting family allowances in 1945 was to prevent deflation, then they were worse than useless *as general economic policy.* Family allowances, however, are good *social security* and should be considered and evaluated as such.[4]

For the present purposes, we are considering only the activity of government as a guardian of the welfare of individuals; as a provider of "social security". Social security must be viewed and evaluated as social security. It must be able to justify itself as a function of government whose purpose is the preservation of individual welfare. Considerations that social security provisions may also be helpful in promoting general economic stability and development, or in the easing of police problems (juvenile delinquency, for example) are interesting, but beside the point. Social security is a need in itself, and if we are to make any successful evaluation of policies designed to meet that need, we must consider them independently rather than in light of the other primary purposes and functions of government.

A Justification of State Social Security

The attempt to explain why government should act as guardian of individual welfare presents all the perplexing problems that face the philosopher who attempts to establish the basis of right conduct. I do not intend to enter this labyrinthine underworld, but *some* answer to this question is necessary in order to be practical, in order that practical proposals may be discussed and evaluated adequately. The answer which I suggest is entirely pragmatic. It is necessary for the state to act as a guardian of individual welfare because the social institutions which once performed these functions have lost their cohesion with the changes that have taken place in economic society during the past three or four cen-

[3]Personally, I have some reservations on this matter, but that does not affect the point made here.

[4]This is not to say that social security measures have not important implications of a general economic nature. These have been studied extensively (see, for example, S. Harris, *The Economics of Social Security,* New York, 1941), but the important thing is to remember what is primary and what is incidental in any government policy.

turies. The family and the small community which were once the individual's bulwark against need no longer can function as they did. At the same time, the vulnerability of the individual has been heightened because of the increased specialization of modern economic life. This is one of the social costs of industrialization and urbanization. Government security is nothing more than an effort to meet these costs. It lacks the personal warmth and friendliness of family or community aid, but it *is* practical. The same reasons which motivated the personal aid and assistance of earlier civilizations now justify aid by an impersonal government.[5]

The Purpose of Social Security

If we accept this argument as a simple pragmatic justification of state social security, we are able to give more clarity and concreteness to the essential policy question: What, precisely, are the aims and purposes of social security measures? If we recognize that state social security is not a new thing, but a necessary substitute for an old practice that has become inefficient, we will recognize also that the essential purpose of social security is the same as that served by the family and community security of a former age. People extended aid to the unfortunates of their own family and community because of simple human compassion. This compassion was aroused when the unfortunate individual experienced a standard of living and comfort which was significantly below that which the community itself recognized as desirable for human beings and which he could not correct by his own efforts.

This point is important. A standard of living which would excite compassion in a Canadian might generate envy in a Chinese. The level below which the individual is not permitted to fall must be defined in terms of the wealth and standards *of the community of which he is a member.* I believe it was the Toronto Welfare Council that coined the phrase "the minimum necessary for health and self-respect". The phrase is a very good one, for it indicates that it is not sufficient to guarantee merely a minimum of physiological subsistence; it is necessary to preserve a level that allows a person to live as a self-respecting individual in the community in question.

This point is especially important for a nation like Canada, for Canada is not a homogeneous economic and social community. A standard of living that would be the minimum necessary to maintain health and self-respect in Toronto might be relative affluence in a Newfoundland outport. Because of this, I believe that the philosophy of the "national minimum" which is basic to the famous Beveridge Report on

[5]Modern organized charity is, of course, equally impersonal, and it is hard to credit the argument of its proponents that it is preferable per se to state-operated agencies.

social security is inapplicable to a heterogeneous society like Canada. Departing from the concept of a national minimum does increase many times the administrative and political difficulties involved in social security legislation, but it is necessary if the essential aims and purposes of social security are to be met.

Cause — The Fallacy of Its Importance

When we consider that social security owes its origin to the private and community aid available to unfortunates in pre-industrial societies, it appears strange that in modern social security coverage there is such differentiation between the different specific *causes* of misfortune. In the more primitive society the person whose earning power was destroyed by an occupational accident was in no way a different object of concern than one who had been otherwise disabled. The family which had been deserted by husband and father was not different from one whose loss was caused by death. On the other hand, if we look at present-day social security systems, we find that great stress is laid on particular causes. This is due to a combination of legal, actuarial, and economic factors, but it is fundamentally wrong in principle.

In the existing system of social security in Canada, workmen's compensation laws are the clearest examples of this error. The earliest effort on the part of provincial governments to deal with the problems of premature death and disability was by means of the legal establishment of "employer's liability". The principal reason for this approach was "practical", but only in the narrowest sense of the term. The employer was the only one in sight (other than government) to whom the burden could be shifted. It was also justified on theoretical grounds, the argument being that abnormal risks of accidental death (or disability) constituted a "social cost" which the industry or firm itself ought to bear as part of the normal costs of carrying on its activities. The fallacy of this approach is clear, once we have established firmly the fundamental aims and purposes of social security. What does it matter to the family of a deceased bread-winner whether he died of silicosis or of heart failure? What does it matter to his family that a man who works in a steel plant is killed by a piece of machinery at work or by an automobile on Sunday afternoon? The legal establishment of employer's liability did not solve the problem of destitute survivors; it merely made employers liable for *some* of the cases.

In the opening of Sir William Beveridge's Report on *Social Insurance and Allied Services* in Great Britain, it is emphasized dramatically that inequities and incongruities arise in a social security system that is of piecemeal growth, where too much attention has been paid to the *cause* of the difficulty. While I do not believe that this leads inevitably to

Beveridge's conclusion that a universal scheme of a completely uniform nature is desirable, it does mean that the aim of social insurance should take its definition from the manifest needs that should be met rather than the particular causes of those needs. We must study such causes in order to establish workable schemes, but the qualification of an individual for benefits should be founded on the existence of need, not the cause of that need.

We must recognize here that there is one important difference between state social security and the earlier forms of family and community assistance. The earlier method frequently took cognizance of the *cause* of need insofar as it occasionally may have been the *fault* of the individual himself.[6] State social security cannot, or should not, make such a differentiation because modern government is in no way competent to make the same close, personal, and sympathetic judgment of fault as was formerly done by a man's own family or acquaintances. If ascription of fault were a necessary part of modern state social security it would mean that social security was being used for purposes more associated with the administration of justice, and the possibilities of perversion would be endless.

It is then necessary that, under state social security, a man's need be accepted at face value, without reference to fault or cause. Bygones are bygones. A man is considered to be qualified for aid because his present misfortune is something greater than his personal abilities to overcome it, regardless of what he might have done to prevent it or of what the particular cause of the misfortune happens to be.

The Difficulties Inherent in Proof of Need

The principle that social security takes its proper orientation from the needs of *individuals* would appear to lead to the conclusion that benefits should be paid upon concrete evidence of such need. This is the thinking that lies behind the principle of the "means test" which was a common feature of the older forms of state social security. Arguments in favour of the means test, however, miss one very important point of difference between state social security and the family and community aid of earlier days. Family and community aid could be rendered on a strict basis of individual needs because the true "need" of an individual could be easily and properly assessed by his family and acquaintances. When social security becomes a responsibility of the state and is organized on a wider basis, the ability to judge individual cases of need is severely diminished. Attempts to apply the earlier principle led to the

[6] An American student of social security, Edwin Witte, goes so far as to infer that modern social security owes its origin to the growth of causes of difficulty beyond the fault of the individual ("What to Expect of Social Security", American Economic Association, *Papers and Proceedings,* 1944, p. 214), but I cannot agree with this.

use of means tests as evidence of need, and, since these tests had to meet the requirements of an impersonal organization rather than the inquiries of a friend, they degenerated into degrading inquisitions into the individual's private affairs by strangers and officials. Practically all students of social security are now convinced that means tests and other investigations of individual need should be avoided like the plague. One of the most important features of the Beveridge plan was the suggestion that benefits from the social security system should be a matter of *right,* a right legally created by the individual's contribution and exercisable without any investigation of his personal need.

An Alternative — Compensation Based on Contingencies

The less direct method of meeting need, necessary in order to avoid means tests, makes use of the fact that practically every case of need originates from one or more of a limited number of contingencies. These contingencies are only the *possible* sources of need. A wealthy stock broker who suffers an accident and spends the rest of his life in a wheelchair probably has less real ameliorable need than a healthy Newfoundland shore fisherman experiences under the best of circumstances. This is unavoidable if we are determined to have no means tests. We must, then, compensate *all* individuals for contingencies that, in the great majority of cases, will result in need, whether they do or do not in the particular cases under consideration. It may be possible, as with family allowances in Canada, to make corrections *via* the income tax system, but although that is desirable, it is secondary to the main purpose of social security.

There are other reasons for setting up social security systems in terms of the various contingencies which are responsible for the majority of cases of individual need. Workable schemes must be financially and administratively feasible, and this means that some attention to the specific causes of need is necessary to institute protective devices successfully. Finally, we must recognize that special groups in the community may experience special sorts of contingencies on account of their occupations. Consequently, in what follows, social security problems are discussed in terms of the most important general categories of contingencies, and a primary division is made between those contingencies that apply to an individual as an ordinary citizen, and those due to the particular nature of his calling.

A Classification of Contingencies and Resultant Needs

Needs themselves are of only two forms: loss or interruption or reduction of earning power and inability to provide essential family expenditures out of income. Sir William Beveridge reported that a number of surveys of English urban areas indicated that seventy-five

percent or more of the cases of extreme want were due to failure of earnings and most of the remainder were due to an inadequate relation between earning power and the size of family.[7]

The particular causes of these needs are, however, more numerous. Without being excessively specific, Sir William differentiated eight "primary causes of need" in his report:[8] (1) unemployment, (2) disability, (3) loss of livelihood by person not dependent on paid employment, (4) retirement, (5) marriage needs of a woman (marriage, maternity, loss of husband's earnings, incapacity for household duties), (6) funeral expenses, (7) childhood, (8) physical disease or incapacity. Dr. Leonard C. Marsh, in his *Report on Social Security for Canada,* described a somewhat different list of six principal contingency categories:[9] (1) unemployment, (2) sickness, (3) disability, (4) old age and retirement, (5) premature death, (6) family needs.

The extent and nature of a classification of contingencies depends largely on the purpose one wishes to serve. In the accompanying table, a distinction is made between self-employed primary producers and employed wage-earners. Some contingencies apply to all breadwinners and their families regardless of the nature of their occupations, and these are included in the first position (A) of the accompanying table.

In the case of the horizontal classification A, contingencies of a general nature, the position of all citizens is fundamentally alike. Premature death, old age, sickness and disability, and increasing family responsibilities are contingencies facing all. In the case of such contingencies, it is, I think, a very important principle that all citizens should be included in one uniform scheme. Old age pensions and family allowances in Canada are already on such a universal coverage basis. Health insurance, when instituted, will probably be placed on the same footing. Survivors' grants (or "life insurance") and additional measures to provide for family responsibilities should not depart from this principle.

There is one reservation that should be made regarding this principle as it is being implemented to an increasing degree in Canada. In the case of family allowances, for example, the coverage is on a universal *national* basis. This takes no notice of the different standards in existence in different communities and hence, in a country like Canada, gives rise to distinct anomalies.[10] It would have been better if social security had been left on a provincial basis from this point of view. The provin-

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[7]*Social Insurance and Allied Services,* Sir W. H. Beveridge, p. 7.

[8]Op. cit., pp. 124-5.

[9]Dr. Leonard C. Marsh, *Report on Social Security for Canada,* pp. 14-15.

[10]This consideration has been recognized in the social security programs of some European nations. For example, Norwegian old age pension payments are on a municipal basis.

cial authorities, however, have proved financially incapable of meeting these needs in the past, and federal assumption of responsibility became necessary. Perhaps the way to achieve the best of both worlds is to follow the lead of the present old age pensions program, the federal treasury providing a basic pension and the provinces supplementing this from their own funds if they see fit.

A good many of the current demands for social security provisions on the part of self-employed primary producers owe their origin to the fact that people in the other occupational category (employed wage-earners) have bettered their situation substantially in recent years. Unemployment insurance financed by contributions from employees, employers, and the federal government is now available to wage-earners. The other contingency noted in the table, lowered wage rates, has been reduced effectively by the growth of trade unions.

The Department of Labour has studied the question of applying unemployment insurance in its present form to self-employed primary producers and has concluded that it is not administratively feasible. In point of fact, the self-employed primary producer is not subject to the danger of unemployment in the true sense of the word at all. On the other hand, he is exposed to certain special contingencies that do not face the wage-earner. These are crop failure and fall in prices, both of which reduce income received and are therefore comparable for the primary producer to the contingencies of the wage-earner.

In agriculture, the traditional basis of security for the small farmer used to lie in farm ownership, and a debt-free farm was considered to be the best insurance against any calamity. This is no longer the farmer's panacea of course,[11] and Canadian farmers have been actively agitating for measures of a social security nature in recent years. Some attention has already been paid to the special risks of farmers. The Prairie Farm Assistance Act, for example, is concerned with crop failure; the price support programs are available in cases of sharp reductions in price. The provisions available to farmers are, however, of a piecemeal and indirect nature, and no over-all social security program for primary producers appears to be contemplated at the present time.

The Bases for Differentiation of Contingencies

Some of the more important practical problems associated with social security provisions are indicated by the principles of classification employed in the numbered columns of the table. These are not the only bases on which contingencies may be differentiated from one another. However, the five distinctions made here are those of principal importance in the planning of a workable security scheme.

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[11]See the papers on "Social Security for Farm People" by J. S. Falls and Wilbur J. Cohen and by Kenneth H. Parsons in the *Journal of Farm Economics*, 1946.

A CLASSIFICATION OF ECONOMIC CONTINGENCIES

	1 *Caused by Particular Nature of Work?*	2 *Temporary or Permanent*	3 *Predictable or Unpredictable*	4 *Particular or General Incidence*	5 *Difficulty: Loss of Income (I) or Increase of Expenditures (E)*
A. ALL BREADWINNERS:					
Death (premature)	Can be	P	P	P	I and E
Old Age	No	P	P	P	I
Sickness and Disability	Can be	T or P	P	P	I and E
Family Responsibilities	No	T or P	Some P	P	E
B. EMPLOYED WAGE-EARNERS:					
Unemployment	Can be	T or P	Some P	P or G	I
Lowered wage rates	Can be	T or P	Occasionally P	P or G	I
C. SELF-EMPLOYED PRIMARY PRODUCERS:					
Crop failure	Yes	T	U	P or G	I
Fall in prices	Can be	T or P	U	G	I

Whether or not the contingency in question is due to the particular nature of the work is a matter of some importance, even if the principle is accepted that no distinctions of qualification or benefit should be made on the basis of the particular cause of need. If the incidence of death or disability is greater in one occupational group than in others, the financing of any scheme of benefit or compensation will, somehow, have to take account of it.

Some contingencies are such that they may introduce a permanent position of need so far as the individual is concerned. Others may be of a temporary nature. Differences of planning, financing, and administration are called for on this score. If a disability is permanent, it need be assessed only once. If it is temporary, machinery must exist for periodic examination. If a market loss which has caused a fall in producer prices is likely to be permanent, the payment of social security benefits must be accompanied by private or public measures of readjustment in industry which are unnecessary if the difficulty is regarded as temporary.

The third classification deals with the predictability of the contingency. This does not concern itself with the predictability of the particular case, but the actuarial determinations of the over-all rate of incidence. Those contingencies that are fully predictable are the only ones that can be provided against by actuarially-based insurance. In other cases, where the contingency is wholly or partly unpredictable, the security program requires the financial backing of government, and it is not possible to tell in advance what the magnitude of the commitment will be. The financing of price supports through a limited and annually replenished fund is indicative of the preferences of government in such a situation; it accepts the responsibility of residual payer, but places an upper limit on the amount that may be spent in any one year.

From the financial point of view, classification 4 is probably the most important. "Particular incidence" refers to a contingency that strikes individual members of the community at random, and therefore the rate of incidence is not markedly changed from year to year. A contingency of general incidence is one usually experienced by a large number of individuals at the same time. If the contingency is of particular incidence and is also predictable, it is capable of being covered by the simplest type of actuarially-based insurance. Fire insurance is the classic example. In actual practice, we find that these are the fields covered by private insurance. Where incidence of the contingency is general in nature, adequate coverage requires either (a) the building of a relatively large reserve fund, (b) rates of contribution varying sharply from year to year, or (c) heavy subsidization by government. All these

solutions involve difficulties, and when a contingency of general incidence is also one that is unpredictable (as most of this type are), we have the most difficult of all security problems. It is significant to note that, on the whole, the contingencies facing self-employed primary producers are of this nature.

The fifth classification is of some importance from the administrative viewpoint. Generally speaking, needs which arise out of loss of income must be met by a money disbursement to the individuals in want. Income is spent in so many diverse and various ways that it must be spent *by* the individual. Administrative reluctance to recognize this point was responsible for the establishment of community poor houses or "work houses" in the days before the growth of modern social security. Everyone is fully acquainted with the shoddy and degrading character of such institutions from the factual reports of royal commissions and the "fictional" accounts of nineteenth century novelists. Some needs which arise out of increased necessary expenditures can also be met adequately only by the disbursement of money (increase in family numbers, for example), but others may be quite properly serviced by the assumption of financial responsibility on the part of the security agency. In most hospital insurance programs, for example, the insured receives no money, but the burden of hospital bills is lifted from him. As a general principle I think it may be said that, where a contingency is such that *adequate* security is provided by the assumption of responsibility for payment by the social security agency, this method is to be preferred to the disbursement of cash. This is not possible in all cases where difficulties arise from an increase in necessary expenditures, but it is true of the bulk of them.

The Necessity for Thoughtful Consideration of Present and Projected Programs

One thing above all is certain so far as social security in Canada is concerned: the continuing growth of this area of governmental function is inevitable. This is a development which merits the most thorough study by all conscientious citizens. It means not only that governments will disburse a larger share of the national income and a larger share of private earnings will have to be taken up in taxes and contributions, but also that governmental power in areas of life which intimately concern the individual citizen will grow. This is not in itself an argument against the growth of social security. On the contrary, it means that we must seek to direct the development into desirable channels. Up to the present time, there has been remarkably little discussion about the fundamentals of social security by the public's elected representatives, government officials, private experts, or the public at large. In the foregoing, I have tried to outline some of the fundamental principles

of modern social security as I see them, in the hope that wider discussion of the issues at stake may be stimulated. Health insurance and other important developments will be upon us within a very few years. We can ensure that these developments take their proper places as elements of a well considered, integrated scheme of social protection, but this will require a larger degree of public interest than has been shown to date. There is already some distressing evidence that provincial and federal governments are content to institute social security measures *ad hoc* and in response to political pressure. This can only lead ultimately to a disorganized hodgepodge of protective devices that will not serve the necessary purposes and will prove to be exceedingly difficult to eliminate.

Thinking With Others

J. W. Tomecko

In the Fall Issue of The Business Quarterly we presented "The Case of Clarence Fogarty" in an attempt to explain the nature of a business case to our readers. We also explained briefly how such cases are used in the classroom. Recently, a plan for using business cases outside the classroom has come to our attention. Dr. James W. Tomecko of Canadian Industries Limited, who is a leader of a group of business executives making novel use of the case method, describes this plan. Dr. Tomecko tells us what the group does, and discusses the background of its formation and his ideas of its ultimate accomplishments.

BUSINESSMEN because of the nature of their activities are inevitably pressed for time. In their hustle and bustle they have little time for reflective thinking. Consequently, they too often overlook goals and basic principles that control much of their business and non-business lives. The habitual profit and loss approach to many business problems may tempt them to overlook satisfactions in work that frequently override money considerations.

Man, by thinking in solitude, uses his past experience to project his thinking. By expanding the base of his experience he expands the breadth of his thinking operations. Just as we say "travelling broadens one", we can also say that travelling to places of ideas new to us is stimulating. To carry the analogy a step further, we might say that a person who travels little becomes provincial; similarly, a man becomes stereotyped if he thinks and talks about his business only with his immediate business associates.

This paper is a description of the attempt of a group of businessmen to move away from provincialism toward broader and deeper thinking about business problems.

How The Group Works

This group of business executives, who became familiar with the case method of instruction while studying together in a summer Management Training Course, felt that they could further stimulate their own thinking about business problems by continuing group discussions of cases after the conclusion of the course. From this feeling have come series of meetings of twenty-five to thirty people. The meetings, held at the home of one of the members, are informal and sociable.

One of the two parts into which these meetings have been divided is devoted to a discussion of a case based on a problem facing some member of the group. The problem is written up into a case and circulated to members of the group prior to the meeting. Members study the case before the meeting at which it is to be discussed, a vital step in using the case method effectively. At the beginning of the meeting the case is reviewed briefly by the man responsible for its preparation. This man also acts as chairman for the discussion, which may last up to an hour and a half. While this discussion is of particular benefit to the person whose problem forms the basis of the case being discussed, it is helpful to all the members.

The second part of these meetings has centred around some book dealing with various aspects of administration. To date all the discussions have been based on various chapters of *Dynamic Administration,* a collection of the Papers of Mary Parker Follett[1]. Chapters of this book are studied beforehand and discussed from a summary prepared by the chairman of this discussion. These discussions have centred around such topics as the resolution of conflicts through integration rather than domination or compromise and the issuance of orders. (Is it the man, the position the man holds, or the situation that gives an order to have something done?) The responsibility of management in training, educating, and treating as well as thinking of man as a human being possessing dignity has also been discussed at these gatherings.

Why the Discussion Method is Used

The purpose of these meetings is to further the process of learning among members of the group. In recent years people responsible for the operations of business and other organizations have been devoting a great deal of attention to training—training of workers, training of supervisors, and training of executives. Is this just a luxury of opulent times? Superficially, the reasons may be various, but basically the training is aimed at doing a better job today and a still better job tomorrow. Learning is not an easy task. Teaching another person is a way to learning. While the teacher is trying to explain a concept, he himself is thinking differently about that concept because of the questions that are being asked by the listeners. It has often been said that experience is the best teacher. Both of these approaches to learning are incorporated when one learns by participation in a discussion. The philosopher Socrates taught his disciples by questions and answers through group discussions. Listening and learning through participation are basic ideas of the case method of instruction, which is used in many colleges and universities. It seems particularly applicable to Management Training Courses, for here people in the group are heterogeneous,

[1] *Dynamic Administration, The Collected Papers of Mary Parker Follett,* edited by Henry C. Metcalf and L. Urwick. Harper and Brothers, New York and London.

representing manufacturing, financial, merchandising, and armed forces organizations, and also form a cross-section of functional positions within these organizations. The interchange of ideas both during and after case discussions stimulates new thinking.

Thinking about and discussing business problems are helpful both to the individual and to his company. When studying a business problem of *another* company, the participant treats the individuals involved in the problem impersonally. It is thus possible for him to avoid the personal bias that engulfs many in attacking problems. When a problem is depersonalized from the individual considering it, his emotions are not involved and emotionally it is restful and not fatiguing. Thinking takes him instead into a field of enjoyment and self-satisfaction. Impartial thinking gives him ample scope for practical solutions to business problems, and enables him to seek the law of the situation which leads to each course of action to be pursued. Thus orders, commands, or recommendations for action follow the discovery of these laws.

While thinking is basic, listening to and interpreting another person's thoughts are equally important. The case approach gives ample exercise in the art of listening to others. In trying to understand another person's views, each participant's own views may change. Through this kind of communication, a sorting and appraising of his own views takes place so that they are clarified and confirmed or may become quite different from those he held previously. The creative nature of man has brought about many changes in the world, and our lives are profoundly affected by these changes. The ideas which have been responsible for these changes are not the ideas of one man, but of many men who have contributed to our evolution. This is particularly true of modern business. Many men have contributed ideas and have therefore created changes in various aspects of business. The business world is dynamic, and creative change has made it so. The philosophy of constancy stagnates the businessman's thinking, while the philosophy of creative change energizes him to new and better approaches in conducting his business activities and dealing with his fellow men. Both of these lead to greater personal satisfaction. Facility in living with and participating in change is a high business skill. Analysing cases with a well-run group seems to encourage the development of these elusive skills.

What Has Been Accomplished

One might well ask what good is derived from such discussions. Those attending consider that there is a twofold good. By discussing an actual problem a person practises business administration through thinking, listening, and more thinking. An actual course of action may

be followed as a result of the solutions that have been brought out by the group discussion. Because the group is a cross-section of business people, the practices, conditions, and thinking of these businesses are brought together and focussed on the problem or discussion at hand, and the approaches are more diverse than if such a group were composed of people from only one organization or enterprise. As a result of one case discussion, an organization whose problem was discussed is in the process of adopting organizational and personnel changes which were indicated at the meeting. This is a practical result. The good that comes from a discussion of basic business principles is much less tangible and more difficult to evaluate. However, those who are anxious to improve themselves as managers in business regardless of what function they perform in an organization are given food for thought which can make them better business people and permit them to lead not only a life with greater personal satisfaction, but a life that is more useful to humanity.

Trends in the Canadian Economy

W. E. White*

Needless to say, in our continually expanding and changing Canadian economy, every businessman should keep a watchful eye upon certain basic business indicators and the trends they follow. In most cases the interpretation of these movements in terms of qualification of present steps or plans for future operations remains a challenge for individual industries or companies, etc., which may feel the pulse of economic activity in various ways . . . Here is how one man examines and relates the trends of some of these factors in Canada and the United States.

Although the first population census in the world was made in New France in 1666 and population records in Canada are reasonably accurate since that time, reliable statistics of total production and trade date back only to the year 1926. A study of the economy of the United States provides a basis for the more accurate calculation of long term trends in Canada. A similar trend in the curves of gross national product for the United States and Canada during the present century suggests that the economies of the two countries may have grown at approximately the same rate during previous periods. The purpose of this paper is to try to obtain a clearer picture of the relations between the long term growth rates in Canadian population, production, and wealth by studying the historical statistics of the United States. *No attempt will be made to predict the future although the paper indicates some trends which may be of interest.*[1]

The following symbols will be used in reference to the gross national product curves of the United States and Canada:

C—Gross national product in terms of constant (1951) dollars

A—Gross national product in terms of actual or current dollars

The various subscripts of C and A are defined in the footnote below[2].

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*The writer wishes to thank the staff of The School of Business Administration for encouragement and many suggestions and Mr. E. R. Dewey, Director of the Foundation for the Study of Cycles, for information concerning cycles.

[1]The straight lines of Graphs (3) and (4) are trend lines and are not intended to be predictions of the future.

[2]*Note*: C_S—Secular trend of C
C_y—Value of C for any particular year
C_I—Long term intermediate trend of C (i.e. Smoothed curve of C_y values)
A_S—Secular trend of A
A_y—Value of A for any particular year

Characteristics of the U.S. Economy Since 1700

Graph (1) indicates the trends of population, wholesale prices, and the gross national product (in volume terms) from 1700 to 1953; and shows that the total volume of production and trade has increased about 3,000 times since 1700, while the population has increased about 500 times. Thus, production per capita, today, is six times as high as in 1700.

One interesting characteristic of the secular trend of the gross national product in terms of constant dollars (C_S) is its relative independence of the rate of population growth, especially during the twentieth century when this rate has been falling more rapidly as shown by the changes in the slope of the population curve since 1900. The independence of the C_S curve is indicated by the fact that this curve approximates a straight line, while the distance between it and the population curve varies, especially during the past 100 years.

This relative independence may be explained by a continuing growth in the rate of annual increase in output per man year. The graph indicates similar growth rates of population and production during the early years of the period. The annual increase in output per man year presumably started at a very low rate (probably less than 0.5% per year) and rose gradually, as machine-power replaced animal-power, to a figure of 1.7% per year during the first half of the twentieth century. The major part of this six-fold increase in output per man year occurred after 1850 as shown by the productivity ratio curve of Graph (1).

While the average annual increase in output per man year has been 1.7% during the present century, the hours worked per week have been reduced 0.5% per year and, therefore, the increase in output per man-hour has been 2.2% per year.[3] This figure is probably correct to within $\pm$ 0.1% for the first half year of the present century but may vary many times this limit during any particular year. History indicates that the rate of productivity increase grows larger after the peak in prices has been reached, after wages have been adjusted to inflation.

The secular trend of the gross national product in terms of constant dollars (C_S) has a slope which varies between 3% and 3.8% per year. Between 1700 and 1750 the annual increase was 3% per year. From 1750 to 1880, the slope rose gradually to approximately 3.8% per year. Since 1880 the slope had been between 3.0 and 3.4% per year.

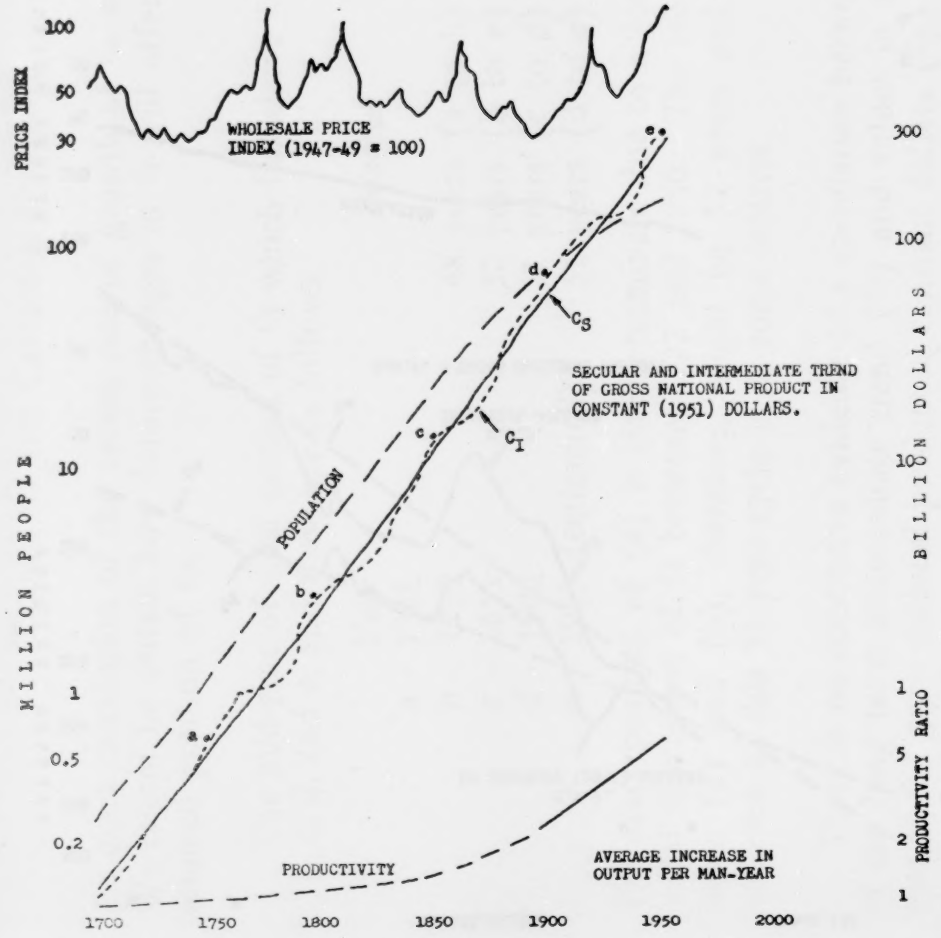
The long term intermediate trend of the gross national product in terms of constant dollars (C_I) oscillates about the secular trend, C_S, as shown in Graph (1).[4] The presence of this intermediate trend makes

[3] *Productivity and Economic Progress,* Frederick C. Mills. Occasional Paper No. 38 of the National Bureau of Economic Research.

[4] *The Dynamics of Business,* Norman Silberling. McGraw Hill, 1943.

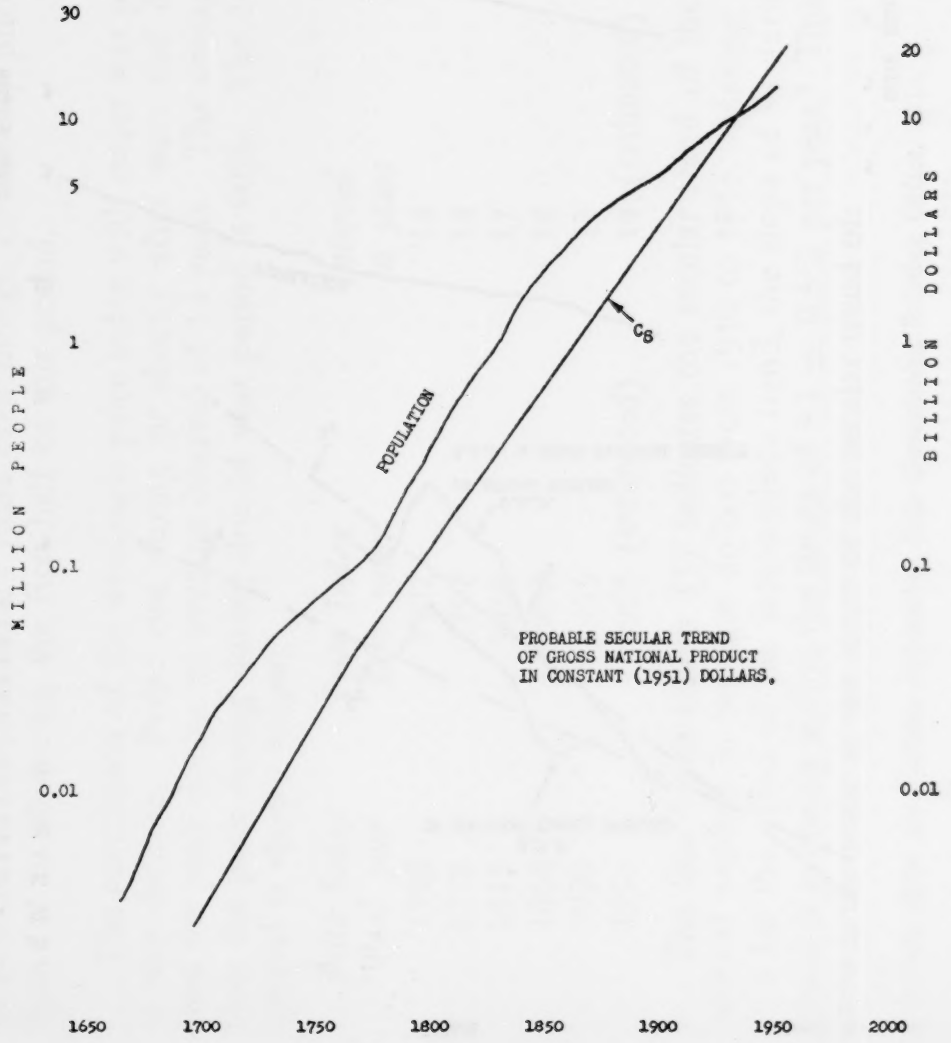
UNITED STATES

Graph (1)



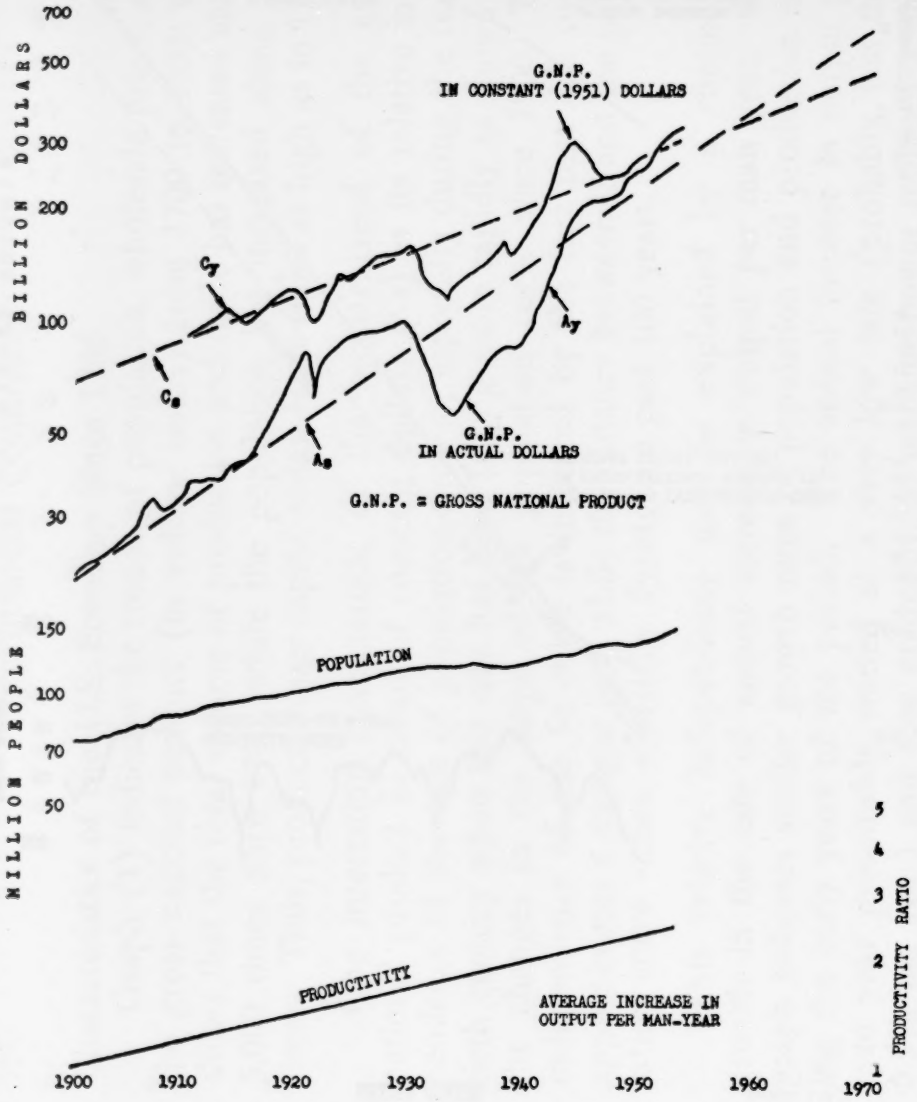
CANADA

Graph (2)



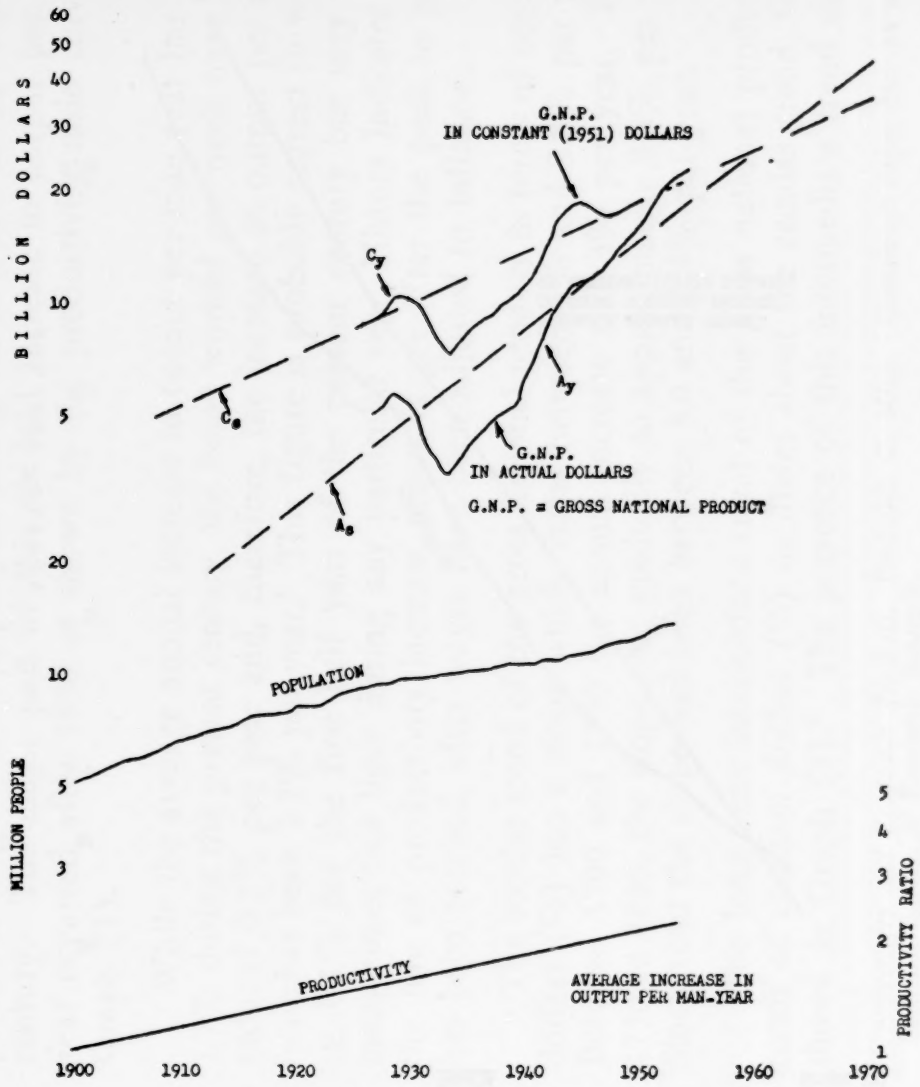
UNITED STATES

Graph (3)



CANADA

Graph (4)



the exact calculation of the recent rate of growth of C_S more difficult. We cannot be certain how future changes in C_I will affect the present assumed position of C_S.

The mid-year of each section of C_I which lies above C_S is shown as a, b, c, d, and e, and these are as follows:

Year	*Interval*
a - 1751	
b - 1799	48 years (a to b)
c - 1851	52 years (b to c)
d - 1902	51 years (c to d)
e - 1953 (estimated)	51 years (d to e)

The exact position of (a) is interdeterminate due to a long term horizontal movement of C_I between 1722 and 1740. The true interval between (a) and (b), therefore, might be 51 years and the possible existence of this 51 year cycle is of some interest.

There is no conclusive evidence of a correlation between the values of the long term intermediate trend (C_I) and values in any particular year of the gross national product in constant dollars (C_y) during major war periods. The American Revolution was followed by a rising trend of business for more than 25 years even though commodity prices fell from 115 to 40 during the first half of this period.

The correlation of the wholesale price index with major war periods is very definite. Prices rise during or shortly after wars and decline from the peak during an average interval of 14 years. The average fall from the peak during during this 14 year period is 60%. The 14 year interval is shown below:

Price Index Peak year	*Price Index Low year*	*Interval in years*
1708	1722	14
1778	1792	14
1813	1830	17
1864	1878	14
1920	1933	13
1951	1965 (estimated)	14 (estimated)

The line C_S of Graph (3) indicates the secular trend of the gross national product in constant dollars from 1910 to 1953. Making allowance for the effect of the intermediate trend, the slope of C_S during the period is probably within the limits of $3.1 \pm 0.3\%$ per year.[5] This slope of C_S is the same as the slope of the secular trend of:

[5] *Markets After the Defence Expansion.* U.S. Government Printing Office, 1952.

(i) The growth of private outlays for producers' durable equipment and new construction (other than residential) in constant dollars (since 1890).[6]

(ii) The average value of the industrial common stock index in current dollars (since 1854).[7]

(iii) The growth of the value of the physical assets of the nation in constant dollars (since 1900).[8] In 1952 the total physical assets (national wealth) of the United States were estimated at 1000 billion (1952) dollars and this total included the following:

Homes	20.0%
Cars and home appliances	11.0%
Land	16.0%
Factories, machines and tools	37.5%
Inventories	11.0%
Gold, silver and net foreign investment	4.5%
	100%

This total of 1000 billion dollars indicates an average wealth per capita of about 7000 dollars and is approximately three times the gross national product in 1952 dollars. We shall use this ratio of three to one in studying the Canadian economy.

The line A_S of Graph (3) indicates the secular trend of the gross national product in current dollars from 1900 to 1953. This line has a slope of 5% per year, and this figure is probably correct to within $\pm$ 0.2% per year for the period shown.[9] The slope of A_S is within these limits back to 1880. After a horizontal shift between 1870 and 1880, the line continues at the same slope of 5% per year back to 1830, where a second horizontal shift occurs. Thus the discontinuities in A_S correspond with the low points of the long term intermediate trend of the gross national product in constant dollars (C_I). Since the 1932 depression, however, the annual values of the gross national product in current dollars (A_y) have risen above the secular trend of the gross national product in current dollars (A_S), without a horizontal shift. This recovery without a permanent shift is due, no doubt, to the stimulating

[6] *The Sustaining Economic Forces Ahead,* Joint Committee on the Economic Report. U.S. Government Printing Office, 1952.

[7] Reports of the Cowles Commission for Research in Economics. See also January 1953 issue of *Cycles*, published by the Foundation for the Study of Cycles.

[8] *Note*: This relation must be considered only as approximate since several national income series exist and no general agreement has been reached on an accurate rate of growth.

[9] With data for each year over a long period available, the accuracy of the slope becomes predictable because of the fact that a very small change in slope (over a long period) causes a large absolute error.

effect of World War II on production. If the previous cycle continues, we should not expect a deviation in ^{A}y (from ^{A}s) of the order of the depression of the 1930's until 1985.[10]

The curves of annual values of the gross national product in constant dollars (^{C}y) and in current dollars (^{A}y) shown on Graph (3) indicate the effectiveness of price controls during World War II. ^{C}y did not rise very far above the secular trend of the gross national product in terms of constant dollars (^{C}s) during World War I, but inflation drove the ^{A}y values far above the secular trend of the gross national product in terms of current dollars (^{A}s) from 1916 to 1920, and this instability persisted until 1929. During World War II, the ^{C}y values rose to a high peak, but the ^{A}y values rose to only 20% above ^{A}s in 1945.

The key to the present situation is probably the fact that the long term intermediate trend of the gross national product in terms of constant dollars (^{C}I) is now above normal and may continue above normal for a number of years. Thus any "recession" in the near future may be of short duration. If the 51 year cycle is real and repeats, the ^{C}I curve will remain above normal during periods of falling prices. Although falling prices were associated with the depression of the 1930's, the long term graph (1) indicates that falling prices have been associated with long term prosperity during other periods.

The Canadian Economy

Graph (2) indicates the probable secular trend of the gross national product in terms of constant dollars (^{C}s) back to the year 1700. If this estimate is correct, the total Canadian volume of production and trade has increased 6000 times since 1700 while the population has increased 800 times. Thus the production per capita today is seven and one-half times as high as in 1700. This multiple of 7½ is higher than the corresponding multiple of 6 for the United States since the Canadian economy was operating at a lower level in 1700. (The ratio of U.S. population to Canadian (white) population in 1700 was 16 as compared with a ratio of 11 today.)

The secular trends of the gross national product in terms of constant dollars (^{C}s) and current dollars (^{A}s) are shown on Graph (4) for the present century. These lines were located more accurately by using the background of information concerning the U.S. economy. The comparable figures for Canada are:

[10]The outlook for the next ten years has been checked and agrees with other conclusions. Capital expenditures by business in the U.S. are expected to decline in 1954, 1955, and 1956 and then increase. (Reference, Econometric Society, New York). The Foundation for the Study of Cycles indicates in its publications that the rate of production will be above the secular trend for another ten years.

Secular trend line C_S in constant dollars	-	$3.5 \pm 0.3\%$ per year
Secular trend line A_S in current dollars	-	$5.5 \pm 0.3\%$ per year[11]

The difference of 2% per year between the slopes of the C_S and A_S curves is a measure of the long term rate of inflation since 1900. Graph (3) indicates the same rate of 2% for the United States during this period.[12]

We know that the Canadian hours of work per week have been reduced 0.5% per year as in the United States since 1900. The actual figures on productivity increase cannot be calculated as accurately as in the United States due to the short period during which statistics are available. We do not know the accurate average rate of increase in output per man year during the present century. An approximate figure of 1.5% per year has been suggested by some writers, but no limit on the accuracy of this figure can be obtained by direct methods. If the limit of $\pm$ 0.3% per year for C_S is correct, however, the 1.5% rate is correct within the limits of $\pm$ 0.3%.[13]

Curves of Canadian population growth since Confederation indicate that the combined rate of growth of the Western provinces is now about the same as the combined rate of growth of the Eastern provinces. This means that the total population may be predicted with reasonable accuracy.

The average rate of increase from 1900 to 1950 has been 2.0% per year and the rates by decade were:

1900 - 1910	-	3.4%
1910 - 1920	-	2.0%
1920 - 1930	-	1.9%
1930 - 1940	-	0.9%
1940 - 1950	-	2.5%

A continuation of this 2.0% average rate would mean a total population of 22.5 million people in 1975.

The history of trends in the economy of the United States indicates that the secular trend of the gross national product in terms of constant

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[11]These limits are the results of (a) checking productivity in several of the largest industries, (b) using a least squares method for the period during which the figures are available, and (c) comparing the trend lines with the U.S. data.

[12]Standard and Poor's have published data since 1900 on stock prices in constant and current dollars. The difference in slope between the two trend lines is exactly 2.0%, a check on the difference in slope between the C_S and A_S lines.

[13]*Note*: C_S = rate of growth of population (2%) plus rate of growth of annual increase in output per man year (1.5%) within small limits of error as long as both rates are small.

dollars (^{C}s) may continue at a growth rate of $3.5 \pm 0.3\%$ per year for a long period, irrespective of the variations in the rates of population growth which are likely to occur. This growth rate of ^{C}s means that the volume of the Canadian gross national product doubles every 20 years. The secular trend of the gross national product in terms of current dollars (^{A}s) may continue to grow at the rate of 5.5%,[14] but we do not know whether a depression in the 60's or 70's will cause a permanent shift in this line. Any projections of ^{A}s, therefore, are unreliable.

Since accurate statistics of national wealth are not available in Canada, we shall use the ratio of three to one found in the relation between the 1952 value of the national wealth and the 1952 value of the gross national product in the United States. This ratio indicates a 1952 value of about 70 billion dollars for Canada's national wealth or about 5000 dollars per capita. This 70 billion dollar figure may be too conservative since the extent of foreign investments in Canada may require a higher ratio than that of three to one used above. The values of the rates of growth of the secular trend of the gross national product in constant dollars for the United States and Canada (^{C}s) indicate that Canada's wealth may be growing at a rate about 10% per year faster than that of the United States. A check on the actual values of ^{C}s between 1926 and 1952 indicates that the Canadian ^{C}s value is 0.3% per year higher than the U.S. value for this period.

A study of the tables of gross national product per capita from 1926 to the present suggests that the rate of increase for the Canadian has been the same as his contemporary in the United States, but that the actual magnitude lags five years in time. If present population growth trends continue in the two countries, this five-year difference may increase although the possible errors in the determination of the ^{C}s values make a forecast unreliable. The reason for the possible increase in this five-year difference is the fact that the difference between the rates of population increase in the two countries is slightly greater than the difference between the slopes of the ^{C}s curves.

There is no reason why a total Canadian population of 30 million in 1975 is impossible, although the present trends of population growth suggest a lower figure. The history of the United States indicates that its population grew from 15 to 30 million in approximately the same time interval.

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[14]The fact that ^{A}s has continued in a straight line for so long may be an accident of history. It appears that the growing strength of the trade unions since the beginning of the century has increased the annual rate of inflation by an amount which has kept ^{A}s growing at the same rate. The fact that ^{A}s has been growing at the same rate for so long in spite of the changes in the rates of population and productivity is indeed interesting.

Since a five-dollar investment in new plant and machinery is associated with a one-dollar permanent increase in yearly output, the nation must invest five times the sum of the annual population increase and the annual increase in output per man year if it is to maintain its rate of growth in output per capita. The percent of the gross national product which must be invested in order to maintain this growth is as follows:

Population Increase Per Cent	*Capital Expenditure as Percentage of Gross National Product Per Cent*
1.5	16
2.0	18.5
2.5	21
3.0	23.5

It is of interest to note that the proposed capital expenditure program for 1953 will absorb about 23% of the gross national production expected in the current year.[15] Our past history indicates that we may not be able to maintain such a high rate during periods when the long term intermediate trend of the gross national product in terms of constant dollars (C_I) is below the secular growth curve.[16]

Periods of rapid growth have usually been preceded by developments in new forms of power for industry and developments in transportation and communication. The recent activity in all these fields may indicate an above-normal intermediate trend for another decade at least.

We cannot assume that any constants will apply over very long periods of time. The dynamic character of the rates of growth in the economy of the United States warns us that any predictions must be reviewed constantly in order to avoid errors.

The ultimate potential of the long term Canadian development may not yet be known. A comparison with the economy of the United States, however, does improve our present knowledge. The similarity of the curves of Graphs (3) and (4) when drawn on a ten to one scale is interesting and indicates the interdependence of the two economies.

The exact correspondence in the United States between the rate of growth of the gross national product in terms of constant dollars, (C_S) and the rate of growth of private outlays for producers' durable equipment and new construction (other than residential) in constant dollars

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[15] *Private and Public Investment in Canada, Outlook 1953*. Department of Trade and Commerce, February, 1953.

[16] C_I for Canada or the U.S. is the smoothed curve of the C_y values. It is not included on Graphs (3) and (4) as it might lead to confusion.

suggests that the Canadian economy will continue to grow at the present long term rate if the Canadian rate of growth of private outlays for producers' durable equipment is maintained at 3.5% per year.

The previous cycles in the economy of the United States suggest that the Canadian economy may continue to grow at an above normal rate for another ten years at least. The area between the curve of gross national product in terms of current dollars and the long term secular line (Graph 3) suggests that a correction during 1954, 1955, and, possibly, 1956 may be expected in the United States. Even if this correction results in the curve of gross national product in terms of constant dollars falling below the long term secular trend in 1955 and 1956, the long term intermediate trend of the gross national product in terms of constant dollars (C_1) may remain above normal until sometime in the 1960's.

The historical relation between prices and the gross national product in the United States indicates that falling prices are not necessarily related to periods of depression and that falling prices need not necessarily be regarded as an indicator of low volume of production.

While no one can predict the future with any degree of certainty, all the evidence in this paper indicates a very strong Canadian economy which will probably continue in strength at above-normal levels for at least ten years more.

The Production Foreman: Management's Front Line

J. M. White

Mr. White's concise outline of the foreman's important position in modern production should provide a valuable point of departure for executives who may wish to reexamine the delegation of control over and responsibility for production within their firms. Our author attempts to clarify the foreman's present role and to suggest means by which he may achieve maximum effectiveness in it.

ONE of the chief functions of modern management is the control of all phases of operations. To be truly effective the actual controlling of any particular operation should usually be done by the management level which is responsible for immediate supervision of the work. Where industrial production is concerned, the management level involved is the foreman. Effective control by higher management is not possible, if for no other reason, because its members do not have the time to devote to it and the span of control is too great. Higher management should determine that proper control techniques are available and operative, leaving the actual work of controlling to the foreman.

The more traditional approach to the modern foreman's job, found in much of the considerable literature on the subject, is that his position and standing in industry has declined. This is said to be the result of taking away from him various duties which have been turned over to staff specialists. It is generally true that the foreman no longer does such things as hiring whom he pleases, setting wage rates, maintaining equipment in working order, inspecting production or deciding on manufacturing methods. Consequently, the foreman's job today is theoretically less complex than the old-time foreman's job. (In fact, this process has probably been carried so far in some cases that the effectiveness of the foreman is handicapped by a lack of sufficient control over certain functions to discharge his responsibilities adequately.) The truth of the matter is that in spite of these reductions in his functional duties, management should expect the modern foreman to have a great deal more administrative ability than did his old-time counterpart. Some companies have failed to recognize this and have not bothered to develop the administrative ability in the foreman to the extent which is required.

Actually, the old-time foreman had far too many tasks to do a good job. By limiting his activities to dealing with problems of production as much as possible, management has increased the foreman's value, although his work may not be as interesting. If there is anything to complain about, it is perhaps the fact that management has not given sufficient recognition to the importance and prestige of the foreman's job. Both foreman and management need an appreciation and understanding of the position of the foreman in the hierarchy of managerial jobs.

The Responsibility of the Foreman

The major responsibilities of foremen are to see that the completed products are made economically, in sufficient quantity and of standard quality, and in accordance with production schedules. Of lesser importance are their responsibilities for such things as departmental housekeeping and safety. This statement may not be universally true, but it is indicative of the common current practice of confining foremen's responsibilities to production, with the responsibility for such complemental functions as equipment maintenance, product design, and determination of the manufacturing process being assigned to others in the organization. In short, foremen are responsible for cost, for quality, and for meeting schedules insofar as these factors are controllable by means of effective supervision of the labour force.

For any given shop or section, this responsibility should be undivided. Maintenance of effective control by top management implies the ability to deal with *fully* responsible individuals when standards of efficiency are not met. In order for these responsibilities to be discharged effectively, it is important that there be measures of accomplishment by which to judge if accomplishment was good or bad, and in what particulars it was good or bad. There should also be well-defined responsibilities for foremen in order to clarify what action can be taken to improve performance. Generalizing, it can be said that foremen must be able to control work routines and meet their objectives. More specifically, the foreman must be authorized to perform certain functions in order to carry out his responsibilities. Some of the more important of these functions are discussed below.

Some of the Foreman's Duties

The foreman must make provision for an adequate labour force and check to see that men have been adequately trained and are using correct methods, even though the responsibility for procurement and formal training of personnel lies elsewhere in the organization.

Some measure of control over dispatching and expediting production orders should be within the scope of the foreman's job, since this work bears directly on his responsibility for meeting production

schedules. In the same sense, he should see that men and equipment are not held up because of a lack of such things as materials, instructions, tools, and set-ups.

In light of his responsibility for quality, the foreman should keep a close check on quality of work and find and correct causes of unsatisfactory workmanship. However, he should, while striving for quality and for meeting schedules, be constantly on the alert to prevent wasteful and inefficient practices as well as to develop ways and means of improving operations.

The foreman should attempt to insure that operators are taking proper care of equipment and that the working environment is kept clean and orderly, that safety regulations are being observed, that lateness and absenteeism are kept to a minimum, and that general plant rules are enforced. To this end he should not hesitate to recommend disciplinary action when necessary. On the other hand he should settle all grievances fairly and promptly.

Labour Relations

The problem of maintaining satisfactory labour relations in the shops is a much more difficult one for foremen today than it was in the past. The principal reasons for this are: the necessity of dealing with shop stewards in many plants, the restrictions that have been placed on foremen in dealing with individual employees, and the general increase in the importance of labour relations as a result of the widespread unionization of employees. Foremen require special abilities to handle these relationships satisfactorily. It is important that foremen possess these abilities to a high degree because they are in a position to make a substantial contribution to labour-management relations for better or for worse. Most of labour's contacts with management are contacts between foremen and individual workers and their representatives in the shops. Foremen, better than any other part of management, know labour's problems and points of view from close association. The superior handling of labour relations will result in such tangible benefits as better morale, fewer grievances, and the prompt settlement of grievances.

Relations With Service Functions

Service functions exist primarily to render various services for the production division and thus facilitate production. Service units can offer valuable assistance to foremen in getting good performance from their groups. If foremen only realized this more clearly and if service personnel appreciated the fact that their main purpose is to render a service, it is likely that there would be less antagonism between the two than is often the case. As it is, foremen often feel that service personnel try to tell them how to do their job, and this naturally leads to resent-

ment. Service personnel on their part often feel that foremen are very uncooperative and antagonistic. It is evident that under these conditions there will be little or no cooperation, and the work will suffer accordingly.

Service personnel ought to be very careful in dealing with production personnel to avoid giving the impression that they are telling production personnel what to do. If they can sell the idea that they are there to help production personnel and if they can sell production personnel on the value of these services, there will be no problem. Foremen will have to do their part if they are to get the most benefit from these services. They must cooperate with the service functions and avoid making unreasonable demands. For example, notices of changes in personnel ought to be forwarded to the personnel department in ample time to give that department some advance notice. Machine operators ought to be given careful instruction in proper methods of operating the equipment, and routine servicing of equipment by the operators should be carefully done so that the maintenance division is not called on to do an excessive amount of repair work that could be avoided by using a little care.

Foremen ought to feel free to consult service personnel whenever a problem arises and service personnel may be helpful. If the foreman thinks, for example, that a particular job is taking too long, he could ask the method group to study the operation with a view to improving it. It is generally much better for the foreman to take steps to correct an unsatisfactory condition rather than wait until the condition is called to the attention of management by an outsider. Furthermore, if service personnel are not doing their job properly so that performance reflects on the foreman, he should take steps to correct this situation. Delays in making set-ups, slowness in making repairs, failure to provide adequate instructions, etc. will hinder the foreman in meeting his objectives. The foreman should make it clear that he expects good services, and if these are not forthcoming voluntarily, there may be no alternative but to make formal complaint through the regular channels.

Relationships between foremen and service personnel should be considered carefully to determine that there is no conflict of authority, that each group understands its obligations to the other, and that each has a sufficient amount of authority to discharge its responsibilities adequately. It may well be that in some cases foremen do not have enough authority in some respects to enable them to control their functions properly. It may be desirable, for example, to allow foremen to handle daily schedules, leaving the preparation of the master schedule and the setting of deadlines to production control. Such a division of the work would leave the foreman some leeway in arranging schedules

to keep his men and equipment occupied and hence would result in improved performance, but he would still be responsible for meeting over-all schedules.

Relations With Management

By its attitude and actions, higher management should show that foremen are considered to be an important part of management and that they are expected to live up to their responsibilities. Foremen should not be by-passed in giving orders or releasing information to the men in the shops. Nor should the workers be encouraged to by-pass foremen and present grievances or suggestions directly to higher officials. Foremen should be consulted about any proposed changes that will affect their work. They should be kept informed of current operations and policies. Their decisions and actions should be supported, but foremen should be made to realize that they must keep their superiors informed about conditions in the shops. Foremen ought to be encouraged to take independent action subject to such safeguards as may be imposed by management. Desirable safeguards may consist of outlining foremen's authority and duties in some detail and exercising effective supervision over foremen.

The foreman's role in management is that of a supervisor, one who controls all aspects of worker performance. To do an effective job, foremen should be given adequate authority and should in turn assume responsibility for results obtained. It should be higher management's role to guide, review, appraise, plan, and coordinate operations. An important part of higher management's job is to develop and furnish foremen with the tools to do a good job, or see that this is done. Without proper tools, control will be relatively ineffectual. Much more could be written about the role of higher management, but that is outside the scope of this paper.

Foremen are usually considered to be "key men" in industry because they are in direct contact with the working force. By virtue of occupying this key position, foremen can exert a large influence, good or bad, on the direction and control of the labour force. It is a mistake not to let foremen manage. The superintendent or general foreman who attempts to do the work of his foremen as well as his own work will probably do neither job well. Under the proper conditions, foremen and their superiors will all do a more effective job if the foremen are given adequate authority and responsibility. Careful selection of foremen, with emphasis placed on leadership and managerial abilities, adequate training, complete understanding of the job and what is expected to be accomplished, periodic appraisal of job performance, guidance and help from higher management, etc. will all help to bring about these conditions. This is not an easy task, but the possible returns are so great that it would be well worth the effort.

Book Publishing in Canada

J. G. McClelland

This article is another in our series of descriptions of Canadian industries. In it Mr. McClelland explains the unique position of Canadian publishers, their various functions, their special problems, their ultimate goals, and the outlook they face. He paints a challenging and exciting picture of book publishing in our country today.

PUBLISHING is one of the most important industries in the social and national life of any country. It is the function of the publisher to serve as a middleman between the creative author and the reader. As books are the generally accepted means for the diffusion or dissemination of knowledge in permanent form, the publisher is to a great extent responsible for the recording and preserving of our cultural heritage. If it is true that our intellectual and moral development has not kept pace with advances in the field of science, the reading and the publishing of books should become of even greater importance in the development of our national way of life.

The Unique Position of Canadian Publishing

The position of the book publisher in English-speaking Canada is unique. In striving to serve his traditional function in the life of the nation, he must sustain on one side the pressure of the powerful cultural force that emanates from our neighbour to the south, and on the other, the equally powerful, if less obtrusive, influence of our Motherland across the sea. Not only must the Canadian publisher compete with these kindred but distinct cultural forces; he must also depend on them for his very existence.

Why this dependency? The problem faced by every Canadian businessman provides the answer — the economic stress created by the vast area of our country as opposed to its small population. Although we have a healthy and growing body of Canadian literature today, the productivity of the Canadian author in publishable form has been insufficient to support even the smallest exclusively Canadian publishing house. As a consequence most firms interested in publishing Canadian books have been forced to become involved in the importation of foreign books in order to establish a framework within which to operate. To establish the organization that is necessary to permit the publishing

of books in this country, and to achieve the economic strength that is essential to that end, it has been necessary to import more and more books from other countries. In this peculiar cycle we see that as more foreign books are imported, more Canadian books can be published, but — because of the increased competition — relatively fewer Canadian books will be read.

Before proceeding further, let us take a look at the Canadian book-publishing industry, consisting of sixty-five publishing houses of varying size, as it exists today. The industry as a whole is divided into two broad fields: educational or text-book publishing, and general or trade book publishing. The latter term covers the publishing of general works — fiction, non-fiction and juvenile — that are found on sale in the average bookshop. The large firms, with a few notable exceptions, are active in both fields. Many firms are subsidiaries of English or American publishing houses. Still others are of independent Canadian origin, but almost all are engaged in the exclusive representation of one or more English or American principals. One or two of the larger firms hold the exclusive agency for as many as twenty-five foreign houses. About 95 percent of the total business is concentrated in the hands of approximately thirty firms, almost all of whom have, at one time or another, published some Canadian books. The operation then is a two-fold one, and it is perhaps more accurate to refer to the typical Canadian publisher as a publisher-agent. Let us examine the publishing function first.

The Publishing Process — Selection and Preparation of Manuscripts

When a work is accepted for publication the publisher makes a contract with the author. In return for the payment of royalties the publisher is empowered to produce, advertise, and sell the book. In a sense, then, the publisher acts as an underwriter, guaranteeing the author at least some return for his property, and hoping, at the same time, to make a profit himself if he is successful in placing a sufficient number of copies of the book in the hands of the public through the jobber, retail bookseller, or librarian. Each book is a new and independent speculation. Its selection is based on the recommendation of an editorial staff or, in the case of some firms, on the publisher's own literary judgment. The successful publisher requires a sound business sense and a fine literary judgment if he is to produce over the years the balanced "list" that is the mark of a healthy publishing house.

The most interesting and perhaps the most exacting part of the publishing operation lies in the selecting of manuscripts for publication and in the originating of manuscripts that owe their existence to the initiative

of the publisher. In one sense there is no dearth of material; several of the larger and better known Canadian houses receive as many as a thousand unsolicited book-length manuscripts during the course of a year. Unless it is obviously unpublishable three or more expert readings will be required for each. This is a costly and unproductive part of the business, for fewer than ten will be published. Fewer than five will be published successfully. Discouraging though these figures may seem, there are few parts of the operation that receive more personal attention from the publisher himself.

Authors, particularly those who have received more than one polite and non-committal letter of rejection, tend to be cynical about the process of selection. They reassure themselves by recalling, not without justification, that many great literary works and many eventual best-sellers have gone unrecognized by publishers' readers. They should realize, however, that this very fact is the best possible incentive for the publisher to use care and discretion in considering their material.

The success of many publishing houses has been built on specialization. A firm may concentrate, for instance, on publishing historical works, or children's books. There are obvious advantages to this type of specialization, both from the editorial standpoint and from that of sales and promotion. In Canada, however, specialization is virtually precluded because of the dearth of material that can be published with hope of commercial success.

The Canadian publishing programme, then, is usually dictated by economic factors. Mystery stories and thrillers, for example, can seldom be published here in hard-bound editions. It is not that Canadians as a group are less interested than others in this type of reading but simply that the population is not sufficiently large to provide the necessary nucleus of potential purchasers.

Canadian houses generally confine their own publishing programmes to books of particular Canadian interest. Works of general or universal interest in the non-fiction field are left as a rule to the English or American firms where the risk of a publishing failure is less. It is frequently part of the function of a Canadian house to act for the author of any work for which the potential Canadian market seems small, in attempting to arrange for original publication elsewhere. Many Canadian books are published only because of joint publishing arrangements made in this way.

Once a manuscript has been selected, the work of the editorial department begins in earnest. There have been few great book editors in this country because the field is small and there is little opportunity

for training. The book editor must have a high standard of literary judgment, a thorough knowledge of the English language, of form, style, and usage, and above all a great deal of tact and understanding, for not infrequently the editorial task can amount to virtual co-authorship.

The Functions of the Production Department

When the manuscript is ready for the printer the production department takes over. Although the publisher is responsible for design, the actual manufacture of the book is not considered part of the publishing function. Few book publishers maintain their own manufacturing equipment; when they do, the operation is separate and distinct. The design of the book is important both from the economic and from the aesthetic point of view and Canadian standards have improved considerably in recent years.

While post-war technological developments have led to great improvement in printing and binding equipment, the savings thus realized have been slight in relation to the rise in labour costs. Over-all production costs have more than doubled since 1940. Inasmuch as each cent spent at the manufacturing level is translated into four or five cents at the retail level, the publisher must effect every possible saving. A book must be priced correctly if it is to find the market for which it is intended, but this consideration must always be balanced carefully against the importance of the physical appearance in the competition for attention on the bookseller's shelves.

Promotional Activity

Long before the book is manufactured the sales and promotion departments have taken over. Normally a publisher "sells" a book well in advance of publication. Travellers or sales representatives cover the country from coast to coast, calling on retailers and libraries. Selling is done from publishers' catalogues which contain brief descriptions of forthcoming books, from dust jackets, which are normally printed in advance, or where possible, from sample copies of the books themselves. The word "sells" is qualified because in Canada and the United States today most books are placed in the stores on a returnable basis. Because of this it might seem that the book traveller has a simple task. Unfortunately the reverse is true. Owing to the intense competition that exists, every book that appears in the book store today has indeed been sold.

The promotion of books has become doubly important since the retailer received the privilege of returning unsold books to the publisher. The sale-or-return arrangement, a recent American innovation, is in turn the result of intense competition and a tendency towards over-production. Of the many books that are published every year only a very small pro-

portion can receive adequate attention in the press, yet the economics of the publishing industry force the publisher to depend on free publicity — and it is by no means all favourable — for most of the promotion that can be done on any one book. This includes, as well as book reviews in newspapers and periodicals, personal appearances of authors on radio and television programmes, on public address tours, and in the stores themselves for autographing purposes. What money is available for consumer advertising must be spent in newspapers of confined regional distribution, there being no widely-circulated national literary magazine available. The advertising dollar thus cannot be spread very far.

The Economics Behind Publishing

At this point it might be well to look at the economics of the Canadian publishing industry. Since methods and practices vary widely, no claim can be made for the figures quoted beyond the fact that they may be considered as approximations of what is typical or average in the industry today. Let us examine the pricing structure of the average book that sells over the counter for $3.00. The publisher will receive for this book a net sum ranging from $1.50 to a maximum of $2.10. In the top bracket, jobbers' discounts range from 43 to 50 percent taken from list price. The retailers' discounts range from 33-1/3 to 45 percent, with 40 percent as the average; library discounts from 30 to 40 percent. Taking the business as a whole, the publisher will receive an average of $1.75 for the book that he catalogues at a retail price of $3.00.

The typical Canadian publishing house today requires about 40 percent of net to cover overhead and a small amount of profit. From the $1.75 net, then, we deduct 70 cents for overhead and profit and an additional 30 cents for the royalty paid to the author. This leaves the publisher approximately 75 cents with which to produce his book, and it is virtually impossible to produce any sort of book in Canada today for 75 cents except in astronomical quantities.

If we base our calculations on what is probably the average first printing of a Canadian book we find that plant cost would amount to 40 percent. The cost of printing and paper would equal about 30 percent, and the remainder would lie in the cost of binding and the related materials. For those who are constantly urging Canadian houses to publish in the continental manner in paper-covered editions, it is worth noting that on this average book, at the typical printing figure, the maximum saving that could be effected would be about 10 cents a book — a saving of approximately 40 cents to the consumer. The paper-covered edition would then sell at $2.60, and the permanently-bound edition, at $3.00. The secret of the inexpensive paper-covered edition is, of course, a first printing on a scale not possible here.

Consider for a moment the first printing of 3,000 copies. By existing standards a sale of 1,500 copies of a Canadian book is good. A sale of 2,500 copies is very good. A sale of 3,500 copies is the mark of a moderate best-seller. A sale of 5,000 puts a book solidly in the best-seller category. A sale beyond 5,000 copies is the publisher's dream, and no more than five Canadian books achieve this figure in the average year. First printings of 50,000 copies of Canadian novels have not been unknown in the past, but that was before the days of such intense competition; before the day of radio, television, magazine serialization, book clubs, and 25 cent pocket-edition books. Does the average first printing of 3,000 copies indicate an unjustified optimism on the part of the publisher? The Canadian publisher is, in fact, forced to be optimistic or refrain from publishing. It is virtually impossible to print less than 3,000 copies and produce a book that can compete in price with imported volumes. Thus the Canadian publisher is forced to be most selective in the books he undertakes.

A closer look at the economics of Canadian publishing indicates another paradoxical situation. If every copy of the typical first printing is sold — bearing in mind that this is seldom the case — the publisher will make a gross profit of only $2,100. From this he must first deduct the cost of promotion and advertising (8 to 10 percent of the retail price of each copy of the first printing, a total of $900). Out of the remaining $1,200 the publisher must pay the salaries of the editor and of the production man, the salaries and travelling expenses of the sales staff of perhaps five men who cover the country from coast to coast, the salaries of the accounting and clerical staff, and of the warehouse and shipping staff, and the proper proportions for rent and fixed overhead in general.

What can be done with the $900 allotment for advertising? Deduct the cost of review, promotion, and sample copies, cataloguing, trade-journal advertising, author promotion, promotional letters which are sent to the trade and to the libraries, and news releases. By the time one has placed an "announcement ad" in several Toronto and Montreal papers there is not much left to spend on promotion.

If more than $900 is spent it is entirely possible that more than 3,000 copies will be sold. It is equally likely that fewer than 3,000 copies will be sold. Therein lies the gamble. Few publishers today believe that a book can be promoted into best-sellerdom through money spent on consumer advertising. If a book has the necessary quality or sales appeal it will sell regardless of money spent, although it is generally conceded that it will sell additional copies because of modest sums well spent at the right time. If it hasn't the quality, the book won't sell, regardless

of money spent. Why then do publishers advertise? They advertise to attract authors, to maintain friendly relations with authors already under contract, to support the various media that have furnished publicity and review space, and lastly, perhaps, in order to bolster their own enthusiasm.

One of the greatest dangers in book publishing is the tendency to rationalize and to ignore the foregoing economics. Our typical publisher finds a book that appeals to him. He decides that it should be published and sold at a price of $3.50. To go beyond this price would mean that publication could not be justified. Unfortunately, the book is a lengthy one and a considerable amount of illustration is involved. The publisher discovers that he can sell it at $3.50 only by printing six thousand copies. He discusses the project with his associates and in a burst of enthusiasm — publishers are given to enthusiasms — it is agreed that there should be no difficulty in selling six thousand. Four thousand copies are sold. The two thousand unsold copies turn the potential profit into a serious loss.

There is an equivalent danger in printing too few copies of a book. If the publisher estimates the sale at 3,000 copies and sells out the first edition he may find there is a demand for more copies. The author is quite unhappy about the book being out of print. The publisher finds he must do a second printing of at least 2,000 copies in order to meet his price. This he does with alacrity, only to find that the urgent demand that existed for this particular book has completely disappeared and only 200 additional copies are sold.

At one time a second printing of 1,000 copies could be done very cheaply, plant costs having been charged off against the first edition. Today, labour costs have risen so much, and the effect of the larger high-speed presses has been such, that small printing runs are inordinately costly. The publisher often finds the unit cost of a second printing greater than the unit cost of the larger first printing, which included typesetting and engraving charges.

A Justification for Canadian Publishing

In view of the foregoing, book publishing in Canada may seem rather unattractive. Why then are Canadian books published? There are at least three reasons. One is that some publishers have a deep and sincere interest in the development of a distinctive Canadian literature. They are prepared to subsidize the publication of Canadian books to that end. A second reason is that if a sufficient volume can be attained there will be a marked reduction in the proportion of overhead costs chargeable against the operation as a whole. A third reason, and by no

means the least important, is that many Canadian publishers are looking to the future. Today we are a small country with a population of only fifteen million people. Twenty years from now, it is estimated, we may have as many as twenty-five million people — and the graph curves sharply upwards thereafter. There is nothing wrong with Canadian literature, with the output of Canadian authors, or with the state of the publishing business in Canada, that cannot be overcome by a marked increase in population. The authors writing today may well be the best-sellers in twenty years' time, when the term will have come to mean something. The publisher issuing books in Canada today may expect a fair share of that larger market when it comes into being.

Variety Provided by Canadian Publisher-Agents

Having considered the publishing function of the typical publisher-agent, let us now look at what is generally the larger and more important part of his business today — the agency side. As we have stated, the typical firm is engaged in the exclusive representation of certain American and British publishing houses. The exclusive agency basis is prevalent today and has developed through the years as in other industries. In the early days Canadian houses used to bid on the open market at auction in New York for the rights to books published by the various houses there, but this arrangement outlived its usefulness both to the Canadian publisher and to the supplier. Because of this system, it is interesting to note, the Canadian publisher-agents make available in Canada more individual titles than are on sale in any other country in the English-speaking world. This poses a problem for the retailer and the librarian, as well as for the publisher, and the intense competition that results has much to do with the relatively high cost of books in Canada today.

Although Canadians gain a tremendous cultural advantage in having such a wide range of books from which to make their selections, there are many thousands of imported books cluttering the shelves of our book stores and libraries that should never have been brought into this country in the first place. Under the existing system there is no way of keeping them out, and the condition will continue to exist until such a time as the Canadian publishing industry becomes stronger and more independent. Only a relatively small proportion of the books published in England is offered for sale in the United States. Even fewer American books are offered for sale in England. In practice, almost the total output of both these countries is made available in Canada. In 1952 there were 18,741 new books and new editions published in Great Britain; 11,840 in the United States. It is not suggested here that it would be desirable to reduce the variety of good literary fare offered to the Canadian public. The practical fact is that many of the books

published both in England and in the United States should never see their way into print and would never be published were it not for the tremendous competition in the publishing field and the fact that every publisher must attempt to maintain his sales volume. These are the books that should not be offered for sale in Canada, and it is just these books that contribute so markedly to the high retail price in this country.

Agency Functions

Aside from the editorial function itself, there is little difference between the operation of a publishing house and the operation of the agency side of the business. In return for the exclusive Canadian licence to handle all the books of a particular English or American publishing house the agent undertakes to import, stock, sell, and promote the publisher's complete list in Canada. The sales and promotional operations are identical with those employed in selling Canadian books. Purchasing is probably the most difficult part of the agency operation. The publisher must estimate accurately the probable market in Canada for each title on the lists of the principal concerned. In some cases the agent will have the opportunity to read advance proofs or a copy of the book, but generally he must place an order for the book, sight unseen, on the strength of a catalogue blurb or what the publisher may be able to tell him. Purchases will range from as few as ten copies to as many as ten thousand. The reputation and the financial success of the publisher-agent depends directly upon the accuracy of his market forecasts. While this principle holds true in many types of agency business there are few others, if any, in which there is such an unending variety of new products. Each and every book is different. It is just as easy to misjudge on a purchase of twenty-five copies as on one of ten thousand, and it can be almost equally dangerous.

The function of the publisher-agent is to provide service to the Canadian trade. If he doesn't provide service there is no reason for his existence. If he orders too few copies of any particular title, even though he can obtain more stock in a reasonably short time, his service will still be bad, his reputation will suffer, and his principals will soon become dissatisfied with his operation. There are always other agents ready to take over on short notice. As a result, the tendency is to overbuy.

If underbuying is a dangerous practice, overbuying is even more serious. The margin on which the agent generally operates is about ten percent less than the figure shown for Canadian publishing. In a few instances agents have arrangements whereby overstocks can be returned to the supplier either in England or in the United States. Even where this is true the transportation charges both ways are lost.

If the original purchasing is difficult, the re-ordering and maintaining of stock is equally so. Will the demand for a particular book

continue or will it suddenly disappear? Every book presents a different problem. Even this would not be too difficult were it not necessary for the Canadian agent to stock so many titles. In the case of those houses that stock as many as 15,000 different titles, from a variety of suppliers, the problem is acute indeed.

Universal Publishing Problems

Before proceeding with our examination of publishing in Canada today, it would be well to look at some of the book-publishing problems that are not peculiar to Canada. In a booklet entitled *The Situation and Outlook for the Book Trade,* which was prepared and published in 1951 by the American Book Publisher Council, we read:

> "There has been a gradual downward trend of earnings in general publishing since the end of the war. Dollar volume of business has remained static since 1947. Average prices of books have not increased more than a maximum of 15 percent in some categories, and have declined in others. Manufacturing and paper costs, on the other hand, have steadily risen. Manufacturing costs were about 25 percent higher at the end of 1950 than in the Spring of 1947. Paper costs rose in the same period by about 15 percent. Salary and wage costs have also increased materially in the past five years. Thus, with static volume and rising costs, it is not surprising that the profit level after taxes of general book publishing declined from about 6 percent of sales in 1947 to 3 percent in 1950, including all income from subsidiary rights. In 1951 additional rises in paper prices and other costs are reducing the margin of profit still further."

J. K. Lasser, head of a New York public accounting firm, wrote in *The Saturday Review* in 1949 that, of the publishing firms whose books he had examined, one quarter had lost money in the previous year. More than half of those who had made a profit had done so through income derived from by-products or subsidiary rights. Two out of every three publishers were losing money from the publication of trade books. Mr. Lasser went on to point out that the average net profits of all the firms referred to was less than 5 percent of sales, before taxes, as compared with an average 10 percent for all manufacturing enterprises in the United States.

This situation is probably closely paralleled in Canada insofar as we can tell, although few statistics are available. The one factor that is very disturbing to the Canadian publisher is the increasing dependency in the United States on subsidiary income. There is little income of this sort available in Canada, and it is not likely to increase rapidly.

Subsidiary Income in the United States

When a promising novel is received by an American firm, one of the first steps taken is to submit it to a book club. If it is accepted by a major book club the financial success of the publication is assured. If regular trade sales should be somewhat curtailed because of distribution of the book-club edition, neither the author nor the publisher need worry; they will receive more than adequate compensation in book-club royalties, which are as a rule divided equally between them. The Canadian agent, unfortunately, receives no such compensation for his reduced sales. It can be argued plausibly that sales are not reduced in the case of book-club selection, and indeed that book-club publicity has been responsible for increasing trade sales of many books. This fact is incontrovertible, but the point overlooked so frequently is that the sales of the many more books that are not selected are reduced. This is apparent in the Canadian market today. Occasionally the Canadian publisher may sell an original publication to a major book club and thereby get his share of book-club royalties in Canada, but this does not happen very frequently.

Another major source of subsidiary income in the book-publishing field is the inexpensive reprint. Before and during the war there was a large market for cheap, hard-bound editions of books issued at least twelve to eighteen months after original publication. Such books were sold at odd prices from 49 cents up to $2.49, and sometimes more. The market for these has largely disappeared today, and their place has been taken by soft-covered reprints in the 25 cents and 50 cents price range. Known as pocket editions, these books are mass-produced inexpensively and, unlike their predecessors, are distributed through chain, drug, and cigar store racks by news dealers and jobbers, rather than through the regular book-trade channels. As in the case of the book clubs, the original publisher is secured against the possible effects of this formidable competition by the royalties that he shares with the author. Neither the retailer nor the Canadian agent has any such consolation. Again, the Canadian firm will derive some subsidiary income from his own sale of original publications to the reprint outlets. He still loses out on the major part of his business, as do the retail booksellers, many of whom have installed reprint racks in desperation.

There are, of course, many other sources of subsidiary income: newspaper and magazine serialization, book condensations, radio and television dramatizations, movies, and so on. As in the case of book-club editions and paper-covered reprints, the actual net effect is probably to retard regular trade sales. The effect of all this on the retail book trade is a subject in itself, and one that is beyond the scope of this article. The effect on the stability of the agency distribution method

as we know it in Canada today is our concern here and it is very serious — exactly how serious, no one yet knows.

It is no longer possible to take a head-in-the-sand view of these matters. American publishers are increasingly concerned at their dependency on subsidiary income but are powerless to do much about it. It is their responsibility to make as much money as possible for their authors, and lucrative bids for subsidiary rights cannot be ignored. How long will the publishers themselves be assured of a just share of this income? Will authors decide that the prestige of regular book publication is not worth the cost of sharing subsidiary income? If they so decide, will they not find in most cases that it was regular book publication that established the value set on subsidiary rights? No one knows the answers to these questions. Meanwhile the Canadian publisher is in no position to criticize, since he is forced by the same compellants to sell the same subsidiary rights on his own original publications when he can.

Inasmuch as the major share of the business done by most Canadian firms is in imported books, their position in this matter threatens to become untenable. It has been suggested that American and English publishers might ease the situation by turning over the Canadian share of subsidiary income to their agents. This is an unrealistic view, for the sad truth is that these firms make very little money on book sales to Canada. They can hardly be expected to subsidize the distribution of books in another country.

The Problem of Short Life

Another alarming feature of the book industry is the short life of the average book. In Cheney's *Economic Survey of the Book Industry* we read:

> "The active life of a poor seller, fiction and non-fiction, is found to range from minus four months to plus three months; the life of a good seller ranges from two months to ten months, and only in extremely rare cases does the life go beyond eighteen months. For a sadly high proportion of poor sellers, the pre-natal life was the only life.
>
> "But the most significant fact is that there seems to be little more than an accidental relationship between sales and life in the vast majority of cases. Good or bad seller, the life is generally short. The most frequent length of active life is between four and five months. Charts of a large number of life histories of all types of titles show a monotonous repetition of the same life cycle — even to the point where sales begin to go below the zero line and the books begin to return."

This report was published in 1931, and the situation has, if possible, deteriorated since. It is said that a publishing house must depend

on its "back list" for stability of operation. The back list consists of the few general works and the fewer novels that withstand the ravages of time and continue to sell in quantity year after year. Were it not for the stable and continuing sales of these books, publishing would be a fruitless proposition indeed. Such books are not easy to find, and one must publish new books in ever increasing numbers in order to establish a few valuable back-list titles. Meanwhile the life of the average new book becomes shorter and shorter, because of the tremendous number of new titles issued each year on every conceivable subject and because of increasing competition from the inexpensive paper-covered reprints.

The disturbingly short life of the average book also seriously affects the problem of inventory evaluation. One essential feature of a successful publishing house or agency is an increasing inventory. In a *Statistical Report, 1947-48,* published by the American Association of Book Publishers, it was shown in an examination of composition of the net worth of twenty-seven publishing houses that, for the years covered, there was an average increase in inventories of 13 percent with a corresponding decrease of 9.6 percent in quick assets. If the inventory is not increasing the back list is not increasing and the stability of the firm is not improving. The profit in a publishing operation is seldom sufficient to allow payment of dividends on a profit that is represented entirely by an increase in inventory values, particularly when there is a decrease in quick assets. The conservative practice is to mark down the value of the inventory and confine the profit on the trading statement. In this way the harassed publisher secures some peace of mind, believing that he is building up a cushion for the future. But extreme caution must be exercised. What appears to be a hidden asset today can easily be an obvious loss tomorrow — and it usually is. Under present conditions it is virtually impossible to set a real value in dollars and cents on any book. The drop in value referred to here is not from $5.00 to $4.00, or from $3.50 to $2.00, it is from $5.00 or $3.50 to 10c-25c. It is real and it is always imminent.

Resale Price Maintenance

If book publishers and retail booksellers greeted the recent move of the Dominion Government in outlawing resale price maintenance with something less than enthusiasm, it is not surprising. So many different items are handled at such a wide variety of prices, on a uniformly low profit margin, that one cannot view lightly the possibility of a price war. Any short-term gain to the consumer would be immediately offset by a deterioration in service and in the availability of books. Fortunately for all concerned there has not yet been any tendency toward the price cutting against which the industry is now powerless to protect itself.

Direct Library Purchases

Still another matter of grave concern to Canadian publishers is that many libraries are purchasing books directly from American and English wholesalers. One cannot believe that these librarians are aware of the seriousness of this practice or of the confining effect that it may have on the future of the Canadian book trade. Why do they do it? The chief reason for direct purchasing is price. On the other hand if, as one might think, it is the duty of the public servant to obtain the best value for the dollar spent, all factors being considered, then these factors should be carefully examined.

The simple fact is that foreign books, like most other products, are more costly in Canada than in the United States. Selling costs of the Canadian agent, which include promotion and advertising, will be at least as high as, and probably higher than, those of the original publisher. Salesmen's salaries are lower in Canada, but travelling expenses in relation to sales are considerably higher. Advertising and promotion costs in relation to market are unquestionably higher. And further, warehousing and servicing costs are at least as high in Canada as in the United States. The Canadian distributor must face the same element of risk. Along with his books, the Canadian agent imports an equal share of the problems facing the original publisher.

In addition, the Canadian distributor must also pay transportation costs (about 4 percent from New York to Toronto), a 10 percent duty (on American books), customs brokerage charge and, in some cases, insurance. While there is no duty on English books, transportation, casing, and insurance rates are very high. The Canadian distributor supplies the retail outlets at discounts similar to those that obtain in the United States and greater than those that prevail in Great Britain.

When these facts are examined one can no longer wonder why imported books cost more in Canada than in their country of origin, and this despite the recent removal of the sales tax, which has effected a welcome reduction of 10 percent in the price of most books.

What about library discounts? In the United States, public library discounts from publishers begin at 25 percent; in Australia the maximum discount is 15 percent; in England the publisher extends no discount. The English publisher will not sell directly to libraries; the purchases must be made through local booksellers at a maximum discount of 10 percent. In Canada, however, the prevailing discount is 33 1/3—35 percent, because of competition on the part of foreign wholesalers. There is nothing in logic or in practice that would entitle a library to receive the same discount as a store buying for resale. And yet in Canada they do, and it is solely because of the lack of adequate copyright protection that permits unequal foreign competition.

Clause 3 (c) Section 28 of the Canadian Copyright Act states that it shall be lawful "at any time before a work is printed or made in Canada to import copies required for the use of any public library or institution of learning." Why should such an extraordinary loophole exist? In the opinion of one of Canada's foremost copyright lawyers, who was present when the Act was framed, the whole section was concerned with and inserted for the purpose of encouraging printing in Canada, and this particular clause was added so that no inconvenience would occur as a result of delay caused by local printing.

By virtue of Canada's geographical location, the book trade is faced with a problem that is not met in any other country in the world. In some countries there are language barriers that are more effective than tariffs or legislation; in other cases there are distances separating one country from another. In England there is a large and powerful book trade that governs itself. These factors were apparently not taken into sufficient account when this copyright legislation was enacted.

Another reason is that there is a considerable difference between transportation charges in the United States and in Canada. We know why this is so. Freight, for instance, in many cases is 35 percent higher here than there. In the United States there is a cheaper book-post rate. Should the Canadian publisher-agent make up the difference out of his pocket so that he can compete with American wholesalers for public

The Massey Report Analysis

The report of the Royal Commission on National Development in the Arts, Letters and Sciences reflected little glory on Canadian publishers or Canadian authors. In the brief section devoted to book publishing one may read as follows:

> "One principal cause of the publishers' difficulties appears in a table showing the literary output in Great Britain, the United States and in Canada for the years 1947 and 1948. This table, from the special study presented to us, shows the discrepancy between the number of books published in Great Britain and in the United States and in Canada during the same period.

1947	*Fiction*	*Poetry and Drama*	*General*
Britain	1,723	352	243
United States	1,307	463	224
Canada (English-speaking)	34	40	8
1948			
Britain	1,830	423	180
United States	1,102	504	295
Canada (English-speaking)	14	35	6"

Quite apart from the thought that these figures are surely more the effect than the cause of Canadian publishers' difficulties, the fact of their publication without any apparent care for their proper interpretation or validity was unfortunate. The *Times Literary Supplement,* in a special issue for international circulation, used these figures verbatim in a patronizing article deploring the state of Canadian letters. To begin with, the Canadian figures are incomplete. The English totals include works of American authorship published in England (a not inconsiderable number). The American figures, of course, include works of English authorship, and presumably of foreign authorship in translation. Both English and American fiction totals include mysteries and Westerns — categories which are neither publishable in Canada nor generally known for their literary value. The vast majority of books making up the English and American totals were published in Canada also in the sense that they were offered here for sale. The Canadian figure includes for the most part only genuine creative literary output. On the basis of per capita English-speaking population, the literary output of Canadian authors ranks very well with that of the other two countries mentioned.

The Outlook for Authors and Publishers

What is the outlook for the Canadian author today? It would appear to be very good. More and more Canadian books will be published in the years to come. At present, the average Canadian author cannot hope to make much money from fiction or general books unless he secures English or American publication. Income from Canada alone on any one trade book, including average subsidiary-rights income, may range from as low as $50.00 (in the case of poetry) to as much as $10,000, and very occasionally even more. From $1,200 to $1,500 would be average. Today more and more Canadian authors are being published in England and in the United States as well as at home. There is a growing body of professional Canadian writers.

One thing that would assist Canadian authors and publishers alike would be an improvement in the export market. Sales to foreign countries are virtually non-existent except in the case of specialized books. England shows little desire for Canadian-produced books, and an import quota licensing system effectively prevents much trade. American publishers generally feel that a Canadian work not worth publishing in the United States cannot be profitably handled. It is difficult for the Canadian publisher to compete with England and the United States for the Australian, Indian, and other foreign markets because his list is so small. The export situation can only improve in the future.

Qualifying Limitations

The Canadian book-publishing industry is not large. With only about seventy firms active in English-speaking Canada, there are fewer

than fifteen hundred people employed. Current domestic production of books of all types in French and English, including text-books, amounts to about 9 million dollars a year, as compared to imports totalling approximately 17 million dollars.

Robert Barr once said, "The bald truth is that Canada has the money but would rather spend it on whiskey than on books." This is probably as true today as it ever was, although as a book-reading nation — according to a Gallup Poll conducted on reading habits — we rank not too far behind England and Norway and are followed by Australia, Sweden, and the United States in that order.

We have not a sufficient number of good outlets for books in Canada There are only about three hundred and fifty retail outlets all told. We have a fine public library system and facilities and services are continually being improved and expanded. According to the most recent Dominion Bureau of Statistics report, which was released in 1952, there were a total of seven hundred and seventy-nine Free and Association libraries in 1950. Public library purchases in books and periodicals in 1949 amounted to $941,031; total purchases of University and College libraries, of which there are one hundred and seventy-eight, amounted to $462,118 in the same period.

This article has been devoted almost exclusively to trade or general publishing. The educational publishing picture in Canada is a good deal more cheerful, although similar problems exist. But educational publishing is a subject for another article and cannot be treated even briefly here.

If one examines the history of general book publishing through the books, records, and reports that have been handed down, it becomes apparent that the industry has always been in a chaotic state, that it has always been threatened with imminent disaster and collapse. New forms of competition and distraction have continually appeared. The situation has never been worse than it is today in the face of relatively new factors such as book-club competition, cheap mass-produced reprints, radio, and finally television; and in Canada the indigenous problems are, if anything, even more complex than elsewhere. But somehow the industry has managed to survive. One suspects that it will continue to do so.

Book Reviews

MANAGEMENT SUCCESSION IN SMALL AND GROWING ENTERPRISES

by C. Roland Christensen. Division of Research, Harvard Business School, Boston, 1953. 217 pp. $3.25.

"Management succession has been a perennial problem for small business. It will not disappear, but small business managers may find it easier to meet if they consciously direct their attention to it and if they consider what they can learn from the experiences of other firms which have successfully overcome the difficulties of such a transitional period."

The presentation of a wide range of such experiences make up the bulk of this admirable little book by Professor Christensen. Using the familiar Harvard approach of studying business problems through the analysis of case studies, the author has presented a great number of cases involving the action taken or not taken when death or retirement of the "boss" became either imminent or an accomplished fact.

The author draws many conclusions and indicates many possible solutions to various problems of management succession. However, the primary value of this book should lie in the creation of an awareness of the problem and of the necessity for attempting to deal with it. A dishearteningly large number of the cases presented in this book indicate that many small businessmen are either wholly unaware that providing for their successor is a real problem, or that, even though recognizing the problem, they are quite unprepared to deal with it. For these reasons, it is this reviewer's opinion that every small businessman should be forced to read this book. It should also be read by lawyers, trustees, and public accountants, all of whom probably have at one time or another, a direct connection with a small business in which the problem of succession looms large.

Incidentally, it was discouraging to this reviewer, an accountant, to note the small part played by public acountants in helping and advising business in dealing with this problem. This is not a criticism of the author, for he devotes a whole chapter to a discussion of "Outside Help and Assistance". In most of the cases cited in this discussion, however, it is a lawyer or trust officer who takes the interest in the problem. Only infrequently, it would seem, does the firm's public accountant

take an active part in calling attention to the problem or in helping to deal with it. Yet what outsider is, *or should be* more familiar with the problems and condition of a business than its public accountant?

In an expanding economy such as that of Canada small businesses are constantly being born. It is common knowledge that the rate of failure of these businesses is high. It is also true that these failures represent to some extent a social and economic waste. This waste is particularly depressing when the business has actually survived and developed to some degree of maturity and stability, only to go under when the business life of its founder ends. To the extent that this can be avoided, a real social and economic gain will accrue. Professor Christensen's book does not provide any pat solutions to the problem of how to avoid this situation, but it does a useful job in pointing out the magnitude of the problem and many of its manifestations. It goes a long way towards establishing "that small business, through conscious efforts, can take constructive steps to make sure that successor management will be available when needed".

—Dwight R. Ladd
Assistant Professor
U.W.O. School of Business Administration

CHARTERED BANKING IN CANADA

by A. B. Jamieson. The Ryerson Press, Toronto, 1953. 394 pp. $5.00.

This month (February 1954) it is expected that the bill containing proposed revisions of the Bank Act will be introduced to the House of Commons. One important change, namely: the providing of funds by chartered banks to help finance construction, has already received wide publicity. The layman who wishes to follow the debate might do well to refresh his mind on different subjects of an historical and practical nature by referring to *Chartered Banking in Canada.* Monetary and banking theory are not discussed; nor was it the intention of the author to introduce these subjects.

This latest book on Canadian banking was published exactly twenty years after the first edition of the late E. L. S. Patterson's book, *Canadian Banking.* The foreward is signed by Dr. W. A. Macintosh, who with the late Dr. W. C. Clark also edited *Canadian Banking.* According to the foreward, Mr. Jamieson's book was written to replace Mr. Patterson's, which had gone through a number of editions and revisions, the latest of which was in 1941. However, many of the students, bankers, and businessmen who studied Mr. Patterson's book may prefer to think of the new book as a valuable addition to their libraries rather than as

a replacement, for in some respects the two are quite different. For instance, a much larger section of Mr. Jamieson's book is devoted to the history and development of banking in Canada, whereas Mr. Patterson's contains lengthier descriptions of certain practices and procedures.

Mr. Jamieson has had well over forty years' experience in Canadian banking, in addition to an apprenticeship in Scotland. His work in Canadian banks has been at all levels up to that of head office executive. His membership on various inter-bank committees and his connection with the last revision of the Bank Act lend additional authority to his statements.

Chartered Banking in Canada consists of two parts. Part I is historical and discusses the foundation and development of chartered banking from its beginning in Canada in 1820 to the postwar period from 1946 to 1952. Separate chapters in this part are devoted to the 1934 and the 1944 revisions of the Bank Act. The Royal Commission on Banking and Currency of 1933 and the establishment of the Bank of Canada in 1935 are, of course, important sections of the first of these chapters. Included in the second are sections on the Industrial Development Bank, Export Credit Insurance, and Farm Improvement Loans.

Part II of the book is concerned with banking practices. It is suggested in the author's preface that one of the chief reasons for preparing the book was to provide a text for students taking the Canadian Bankers' Association courses of instruction. Because the chartered banks play such an important part in our business life and because a person can hardly remain in business today without having to learn about banking practices, the reviewer has no hesitation in recommending this part as required reading, particularly for those young people who have recently or are just about to enter business life.

The appendix contains certain statistical information reflecting the growth of banking in Canada as well as a chronological table of amalgamations since Confederation. The list of authorities and sources on pages 371 and 372 should be of considerable assistance to those readers who wish to continue their study of Canadian banking. Separate indexes have been provided for Parts I and II to make reference easier and to facilitate the investigations of subjects which are mentioned in several sections of the book.

—J. C. Taylor
Professor
U.W.O. School of Business Administration

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INDEX — VOLUME XVIII

(*By Title*)

Page

Book Publishing in Canada
J. G. McClelland 205

Canada's Future
Brant Bonner 70

The Case of Clarence Fogarty 137

A Company Lawyer's Role in Labour Relations
R. V. Hicks and I. E. Elliott 1

Design for Offices
George Englesmith 30

Developing a Management Philosophy
A. S. Thompson, Jr. 110

Do Companies Follow Up On Their Advertising?
A Survey 143

Handicrafts: An Emergent Canadian Industry
P. K. Nicholson 151

Industrial Hygiene
F. M. R. Bulmer 75

The Meaning of Social Security
H. Scott Gordon 171

Noise as an Industrial Problem
Charles R. Williams 8

Office Employees' Union
I. E. Elliott 85

The Outlook for Farm Income
Watson Porter 167

Page

Personnel Recruiting on the Campus
N. M. Armstrong 129

Planned Retail Development
K. W. Walter 38

The Production Foreman: Management's Front Line
J. M. White 200

Retail Store Hours
A. D. Cherniak 55

Salesman Selection and Training:
A Key to Executive Development
F. W. P. Jones 92

Thinking With Others
J. W. Tomecko 185

Trends in Canadian Economy
W. E. White 189

Using Company Personnel in a Human Relations Program
A. A. MacVicar 103

What is Social Credit?
E. C. Manning 16

(*Book Reviews*)

The Dynamics of a Labour Market
I. E. Elliott 48

Income and Employment
M. K. Inman 48

Management Strategy in Collective Bargaining Negotiations
I. E. Elliott 48

Salesman's Compensation
F. W. P. Jones 164

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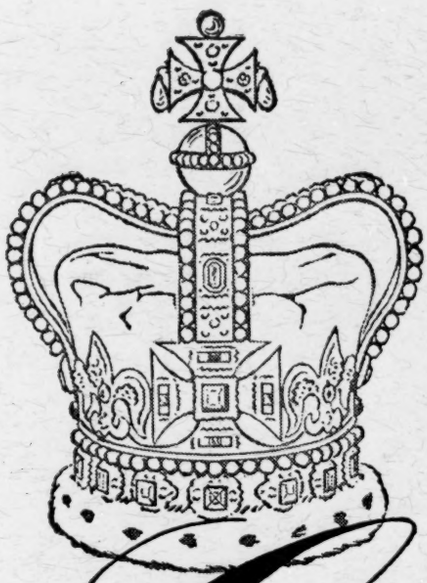

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